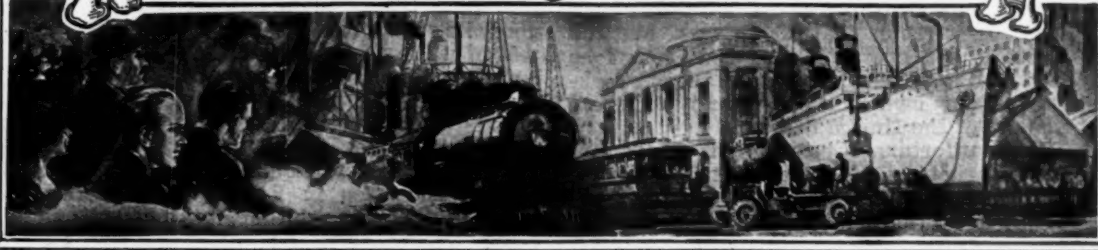
The MAGAZINE of WALL STREET



BANKING EDITOR H. PARKER WILLIS — EDITOR RICHARD D. WYCKOFF — MANAGING EDITOR E. D. KING

THE OUTLOOK

The Growing Menace of Our Unfavorable Trade Balance —Grotesqueness in Minnesota—The Market Prospect

NOT a few observers have been inclined to view the development of an unfavorable trade balance for the United States as a matter which had little to do with the banking situation, and still lead in the way of influence upon the share market. It was a matter of considerable moment to the business community, and especially to manufacturers, but its significance was hardly broader than was thus indicated.

Now, however, as the total balance reaches large figures, and the conditions to which it is due become confirmed, there is a good deal more disposition to view the situation with more seriousness. True, the trade figures for June, just issued, show a temporary halt in the growth of the adverse balance, exports and imports for the month being approximately equal, but there is no reason as yet apparent to suppose that this reversal of recent tendencies is more than temporary.

What is now clear is that the further growth of an adverse trade balance must necessarily and unavoidably result in changing the status of credit in this country. Contrary to general supposition, there is no great "surplus" either of gold or of lending power in the United States today. Our metallic reserve will suffice at present levels of prices to sustain little more fresh credit, relatively speaking, than the metal we held in 1914 would then sustain. Translated into immediate terms, this simply means that any extensive or serious losses of gold, owing to adverse trade balances, would undoubtedly result in reducing the extension of credit that was possible under present reserve conditions. We must count, therefore, upon very decided reductions of prices as a result of curtailment of bank credit should we allow our debts to foreign countries to result in an outflow of gold in settlement. Such an outflow would mean a corresponding lessening or narrowing of the credit extending power of the banks if matters are to continue as at present.

Thus far, we have lost no gold. The inflow has continued, in some months more, in others less, vigorously, but always to some extent. Foreign countries have found it cheaper to pay us in this way, and it may be expected that some of them, such as Great Britain, although practically able to return to the gold standard almost when and as they please, prefer for the present to refrain from such action. So refraining, they may still pay us funds due on interest and other accounts in money, despite a trade balance against us. This situation, however, is clearly unstable. It may come to an end at almost any moment, and the result may be a large outflow of gold whose immediate consequence would be, as just indicated, a shrinkage of credit and, as a result, of prices of commodities.

Our present international trade situation thus has a potential significance that many had, in the past, largely overlooked. It is the outgrowth of faulty policies, both of tariff and taxation, of banking management, and of industry. High and rising prices have been encouraged in the belief that they were an absolutely essental element in, or prerequisite to, prosperity. So the demand for tariff duties that would permit manufacturers to charge high figures for their goods has been insistent, even irresistable, while the call for lax banking standards, low rates and easy conditions of eligibility in paper has been equally strong. We have tended to force our whole industrial and financial structure upward to an inflated and unreasonable level which put us out of relations with the rest of the world. Great Britain

has an inflation party whose power has been about as great as that of our own, and the effect of its operation has been about as powerful in that country as has the outworking of our own inflation group upon the policies of the United States.

The unfortunate position of the securities markets during the past few weeks illustrates the evil influence of methods of credit and price management like those we have pursued for some time past in our national policy. In a time of great industrial activity and full employment, with a hoard of gold greater than any ever accumulated in the world before, we have none the less seen an inexplicable hesitation and weakness in the value of unquestionably sound securities. Were conditions to be permitted to work still further out of hand, through exaggeration of prices, loss of gold and other factors of a like sort, the result would surely be a still greater unsettlement of values by reason of the shock to the whole fabric of business and banking and the consequent disturbance to the foundation of values.

THE FUTURE OF BUSINESS CONDITIONS

AGAIN have business conditions undergone the most careful scrutiny by experts, as well as by some who are consideraly less skilful, with the purpose of forecasting the future. Speaking generally, the outlook is good. There is strong demand in many lines, broad employment for labor, a high level of wages and but little indication of reaction, save, perhaps, in sporadic cases, or of overstocking with possibly a very few exceptions. Possibly the least satisfactory phase of the outlook is seen in the recent decline of wheat prices to a point below $1.00 per bushel. This decline comes at a moment when official forecasts appear to foreshadow a good average yield not only of wheat, but of other farm products, and is the reflection of unfavorable foreign conditions and lack of demand. It is still, however, to be seen whether this depression will be more than temporary, while the food values for most other agricultural products will largely make up for it, taking the country as a whole. Recession of some 590,000 tons in the unfllled orders of the U. S. Steel Corporation is, of course, an unsatisfactory development, because it again indicates that buyers are not willing to anticipate the future to any great extent, but still feel uncertain and doubtful as to business prospects some distance ahead. The great cost and other difficulties in the building situation naturally cause reluctance to make further commitments in that branch of industry than are absolutely necessary.

It may be said that while, on the whole, therefore, the business outlook is decidedly good, its prospect seems exceptionally short-range, while there are factors which obviously may make greater trouble unless corrected. Among the latter, two of major interest stand out as affecting, particularly, the financial markets. One is the unsatisfactory, not to say disquieting, economic and political situation in Europe — a situation whose permanent solution does not yet appear. The other is the rather disagreeable position of some elements in our own farming position. As to the latter the problem of a remedy is already eliciting widespread discussion.

THE MINNESOTA RESULT

MEANWHILE the general dissatisfaction with existing conditions has taken form in the election of a so-called Farmer-Labor Senator in Minnesota. His announced policies, although as yet vaguely expressed, are apparently closely in line with those of the senior Senator from Wisconsin, Robert M. La Follette.

Hostility to the wearing of "dress suits" alternates with advocacy of government ownership of railroads and attacks upon "society" in Washington, with complaints of the "money trust" and its activities.

The serious side of the situation is seen in the fact that another has been added to the group of Senators, already large, which is ignorant of public questions and prejudiced against anything that seems to favor industrial or financial progress, however strictly legitimate it may be. There is a grotesqueness about many of the utterances of the new Minnesota Senator that tends to mask the real danger involved in further additions to the extreme radical group in the "upper house" of Congress.

At present, there would seem to be little question that the "progressive" element in Congress is preparing for a general onslaught on railroads, mining, banking and business in general during the coming winter, with soldiers' bonuses and heavier taxation the only positive policies, apart, of course, from the ever-present attempt to favor the farmer or the interests that claim to represent the latter, through the adoption of class legislation of a somewhat extreme variety. It cannot be surprising that such a prospect causes anxiety in the minds of investors. They are naturally disturbed by the prospect not only of further attack upon savings, but also of concerted attempt to make the burden of taxation appreciably heavier. There is, in fact, every reason for regarding the political situation with anxiety and for taking positive steps to correct it.

Most of the dangers to be apprehended today are those which grow out of a general course of neglect on the part of the rank and file of voters with regard to the proper treatment of financial and economic questions.

ECONOMICS AND POLITICS

In fact, the developments of the past two years have more and more clearly demonstrated that the present organization of our party system is not satisfactory or adequate to the purpose of securing sound treatment of fundamental economic issues.

One of the great difficulties in the Minnesota campaign was the same that had made itself apparent in the Presidential campaign of 1920. This was the lack of any short-cut distinction between the two older political organizations as regards the chief issues of economic nature. On such matters as banking, tariffs, taxation, public ownership and the like, the differences between groups within each of the old parties are about as pronounced as the differences between the parties themselves.

In the effort to catch votes, prospective candidates are already beginning to make concessions this way or that, ignoring all issues of principle and endeavoring only to conciliate as much support as may be. Of course, a policy of this sort opens the way to new parties whose motives are merely destructive, and impairs the interest of the constructive members of the community by refusing them any representative in whose behalf they may enthusiastically exert themselves. As a matter of fact, the recent course of events has made it appear that investors, owners of savings, and the employed and professional classes generally (excluding, of course, organized labor), were without political representation or recognition and afforded the target at which other "organized" groups in the community felt warranted in striking. Such a condition, including as consequences overtaxation, artificial enhancement of prices and impairment of savings values, has already "slowed down" the accumulation of capital, and has rendered the whole status of the investor and saver so unsatisfactory as to limit the rate of economic progress.

These conditions call urgently for some bold and straightforward declaration of policy that would give such owners of savings, investments and securities in general, who have heretofore had not the slightest consideration, an opportunity to make their legitimate rights understood. Instead, every political party appears to feel that any attention allowed to the position of these elements in the community must take some concealed form.

A HIGHER BANK RATE IN LONDON

Advance in the discount rate of the Bank of England, and prospect of still further advance unless the increase of 1%, already ordered, prove effective, indicates the closing of the period of relatively "easy money" which, for some time past, has prevailed in Great Britain.

Although the present rate of 4%, now in force, is lower than our own, the action of the Bank of England has been considerably more positive and courageous than that of the Federal Reserve banks.

Not only in this country, but also in England, there has been a steady growth of inflation during the past year. This has been reflected in the extravagantly high levels of money prices which have operated to curtail our foreign market, and have likewise impaired the flourishing foreign business done by Great Britain. In both countries interest rates have been, on the whole, abnormally low, especially at the central banking institutions. Advances of rates are now practically unavoidable unless the banks of the two countries are willing to see inflation assume a more menacing form through the development of portfolios of "frozen" bills in the central banks themselves.

THE MARKET PROSPECT

The strong rally predicted in our previous issue was accomplished when the average price of fifty stocks reached about 82½ on July 23d, this recovery amounting to about one-third of the decline from last March. The supply of stocks was sufficient to check the rise at this point and a recurrence of liquidation has, within the past few days, forced the averages back to about the July 5th level. While considerable resistance is being displayed, the action of the market indicates great uncertainty in the minds of investors. The main point to be determined now is whether the absorption of stocks at the low levels will be sufficient to offset the pressure of liquidation and short selling.

As previously stated, the recent recovery should be regarded as a rally in a bear market, but there are numerous signs that preparations for a better market may be in the making.

Monday, July 30, 1923.

Is There Trouble Ahead?

What the American Farmer Is Up Against Today

Why He Is Calling for Relief—His Position and Prospects as Revealed by the Latest Crop Report—What Is the Outlook for Farm-Dependent Industries?

By RALPH RUSHMORE

SEVENTY-THREE years ago, the value of all farm property in the United States was estimated at slightly less than 4 billions. Today, the value of the same property is probably close to 50 billions.

The total gross wealth produced by our farmers in 1879, was a trifle over two billion dollars. This year, the crops alone, and exclusive of tobacco, promise to represent a gross additional wealth of 7 billions of dollars, while all farm products should approximate 25 billions in value.

Close to 12 million of the male citizens of the United States are engaged in agricultural pursuits. The agricultural population represents probably one-third of the purchasing power of the entire country. As patrons, our farmers actually comprise the great bulk of the clientele of some of our greatest railroad properties; also, their patronage is essential to the prosperity of our great mail-order distributing houses, and has contributed very materially to the expansion of many manufacturing lines.

With these facts in mind, the overwhelming importance of the farmers and the farms in the economic structure of today will go unchallenged. They must make manifest to every business man and every investor the entire truthfulness and accuracy of the oft-heard remark, "Unless the farmers are prosperous the country cannot be prosperous."

Finally, which is more to the point, these absolute evidences of the farmer's importance contain the reason for publishing what is to follow here, namely, an attempt at a clear, unprejudiced and reasonably complete picture of the farm situation as it actually is today, and as it promises (or threatens?) to be later on.

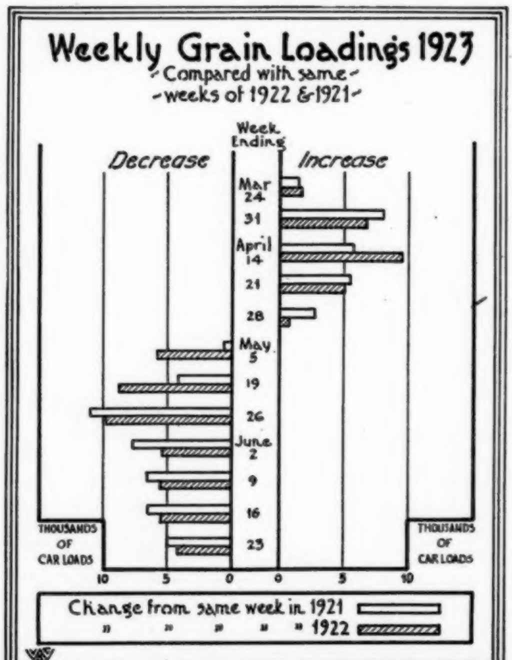
The July 10th Report

As of July 10th, last, the Department of Agriculture published an Estimate of crop conditions and prospects, indicating among other things that:

(1) The 1923 wheat crop will total 821 million bushels, or 41 millions less than the final return in 1922.

(2) The corn crop this year will total 2.87 billion bushels, or about 20 million bushels less than the final return in 1922.

(3) The total value of these two crops, plus the ten other principal crops of the country, based upon prices as of July 1, last, will slightly exceed 7 billions of dollars, the corn crop's value being set at 2.49 billions, and the wheat crop's value at 780 millions.



"Probably very few investors realize how sharply the situation in respect of grain loadings has reversed itself since April"

(4) Acreage planted in wheat was estimated at approximately 1.5 millions in excess of 1922. Corn acreage was slightly lower than in 1922.

(5) Condition of the corn crop was 84.9, as against 85.1 last year and 91.1 on July 10, 1921. Condition of wheat was 78.3, as against 78.9 in 1922 and 78.2 in 1921.

Why the Estimate Figures Are Important

Were agricultural conditions reasonably near normal, the publication of these crop figures would not warrant much more than passing interest. Were the farming population inclined toward co-operation with the other great industries of the country, and particularly the industries which depend largely on farm patronage, the same thing would be true. Likewise, if the farmer population, as a whole, were prosperous and strongly-intrenched financially, the Crop Estimate summarized above, could be analyzed for its inherent forecast-value and then dismissed.

Unfortunately, however, none of these things are true. Agricultural conditions are far from normal—in fact, they are about as abnormal as it would be possible to imagine them. The majority of our farmers, instead of being favorably disposed toward the other great industries, seem to be rapidly developing a deep-seated hostility toward them. (This latter condition was nicely illustrated by the recent election of an obvious radical to the Senate of the United States as the choice of one of the greater agricultural states—an individual whose most apparent characteristic, if the reports can be believed, is a bitter antagonism to the established order and a confirmed belief in the amiable theory that "whatever is is wrong.") The farmers' financial condition is notoriously bad—so bad, in fact, that literally hundreds of quasi-government agencies, financial and commercial bureaus, and the like, have recently been established, all for the purpose, whether expressed or not, of lightening the nearly hopeless burdens the farmer is under the necessity of carrying.

This is what conditions are today in the farming world. And with conditions so, the Crop Estimate, as summarized above, takes on a special significance, an importance it might not otherwise have, the Estimate serves to crystallize public knowledge of the farm problem as it really is. It prompts inquiry into the farmers' outlook. It brings into question the position of the great industries of this country which, in large measure, are directly dependent for their prosperity upon the patronage of the farming population. It

suggests an answer to the question of what the innumerable agencies formed to better the farmers' chances can really do, or have actually done, in that direction.

In what follows, a few plain words along these lines are offered for what they may be found worth.

Fallibility of July Reports

One point needs to be established at the outset, and before inquiry is carried any further into the subjects suggested by the Estimate figures: That is the purely conjectural character of a July 10th crop report. It most emphatically cannot be assumed that the final results for a crop year will necessarily bear out estimates rendered as early as the second week of July; on the contrary, history has proven that, between July 10th and the last harvest, conditions can and frequently do so alter themselves as to throw final results out of all correspondence with a mid-year estimate.

Figures can be cited to emphasize this point: In 1921, the *final* crop figure on Spring Wheat was 9% less than the July 10th Estimate, while in 1922, the figure was 11% larger than the Estimate. In 1921, the *final* crop figure on oats was no less than 18% *below* the July 10th Estimate.

Obviously, then, this fact as to the fallibility of the July report must be borne in mind in any such discussion as we are now embarking upon. Indeed, it would not be harmful, and might be very helpful, if the fact were more generally considered in *all* discussions of crop conditions and prospects. The financial newspaper, for example, which recently cited Government crop predictions as the first of four factors composing "about all the major factors" that a farmer need consider in order to figure "what the price of his product is likely to be"—and calmly ignored mention of weather; or the "farm aid" proponents, who attempt to read into the Government estimates a species of organized ham-stringing of farm prices, failing to note that the same prices have frequently moved in total contradistinction to Government reports: These and similar absurdities seem to have gained widespread currency in recent times, and it might not be out of place to subject them to a little plain, white light.

Government reports, particularly the mid-year findings, are very largely conjectural, and depend for their accuracy upon a host of factors, all of which are indeterminate in the extreme. The latest report in particular (July 10th) indicating, among other things, a wheat crop of 821 million bushels, which is 4 million bushels more than the indication, and 41 million less than the final return for last year, needs to be accepted for what is, and does not want to be exaggerated into what nobody—least of all, we suppose, the Government—wishes to make it seem.

The Farmers' Position and Outlook

Granting the conjectural nature of the July 10th report, and qualifying all conclusions to be later expressed with the understanding that any radical change in the crop situation might correspondingly alter those conclusions, it may be said that the figures show the farmer to be in a statistical position which, at the best, is far short of what might be desired.

In the first place, the prospects evidently are for a crop only a little below (and perhaps considerably above) that of last year, and of the last five years. Acreage of wheat planted is 58,253,000, or about 1,500,000 acres more than last year; condition of wheat is practically as good as last year; the crop area has been singularly free of infestations of various sorts, and damage has also been comparatively small. A slightly better situation exists with regard to corn, where an estimated area of 103 million acres is practically unchanged from last year. The other crops correspond more or less closely with the wheat, pointing to a considerable addition to supplies at harvest time.

Were this outlook for a bountiful crop to have developed at a time of increasing demand, its significance from the farmers' point of view would manifestly be highly encouraging. Unfortunately, however, demand seems to be contracting, rather than an increasing, as attested by the recent

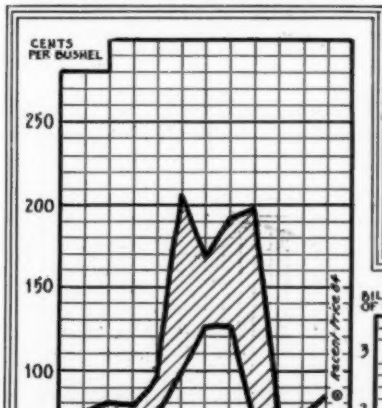
COMMON SENSE

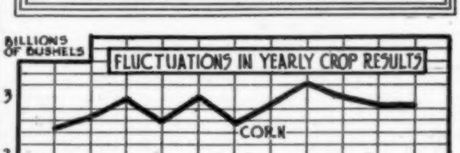
Reprinted from "The Breeder's Gazette" of Chicago

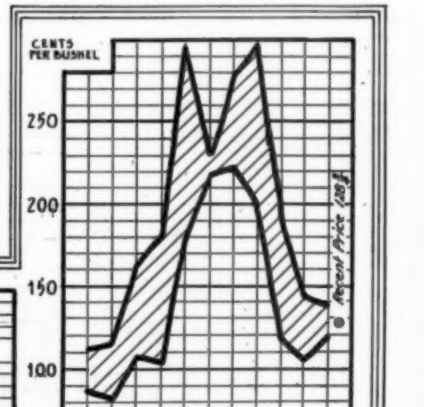
"The man who makes wheat his chief, if not his only crop, whether in the wheatbelt or elsewhere, is a gambler. He is sure to 'lose' much oftener and much more than he 'wins.' Specialty farming, so far as any staple world crop like wheat is concerned, is a highly hazardous system. When to the economic hazards involved in growing wheat there are added the inescapable hazards of drought, hail and insects, it should be obvious to any thoughtful person that wheat farming as commonly practiced in this country is foredoomed to be a fruitful cause of unrest, dissatisfaction, political animosity and organized crusading activity among those who follow it.

"America can never be made safe for the one-crop farmer. He will always be 'in hot water'—and in politics. His extremity will always be the political demagogue's opportunity to be elected to an office. Fundamentally the woes of the one-crop farmer are the fuel and the flame of the Farmer-Labor party movement.

"America never has been and never is likely to be unsafe for the farmer who practices diversified farming, the keystone of which is livestock. Firmly established and even today comparatively prosperous in many regions in many States, diversified or mixed farming, which always and everywhere is based on stockraising, is the nation's greatest asset and chief safeguard in a time of economic and political upheaval.







"Glance . . . at the three graphs herewith, which cover the price-path of wheat and corn, and the crop results in the same commodities in the ten years since 1913. The astounding gyrations which the graphs trace serve to illustrate the extent of the gamble a grain-grower has to take; they further illustrate the difficulties that would be in the way of any form of artificial control of farm prices and output."

price-smash referred to before as one of the severest in recent history—a smash that carried wheat futures on the Chicago Board down to less than $1 a bushel, and the price to the farmer, of course, to considerably below that figure.

Contributing, no doubt heavily, to the lessening demand in American markets is the factor of Europe's development into a larger producer and a small consumer. Thus, a qualified authority on food markets in a recent communication to The Magazine has said:

"The principal reasons for a probable reduction in foreign demand are: First, European food production is somewhat larger than last year, due principally to the much more favorable crop conditions this year than last, while there is no apparent decline in the output of the producing regions that compete with the United States for the European market.

"Secondly: Europe's purchasing power this year is likely to be smaller than last year. While manufactured exports for the first half year have been appreciately larger than a year ago, the prospect for the second half year is less favorable. There has developed a slight recession of business in leading commercial countries and the foreign situation has lately been producing serious economic consequences. European earnings from shipping and other services show little improvement; while credits extended to European countries are much below those of a year ago."

Thus we have the major forces in the agricultural market—domestic and foreign supplies and domestic and foreign demand—all tending, however slightly, in a direction unfavorable to growers. In addition to these unfavorable factors, we have the unfortunate financial condition of a large proportion of the farming population—a condition which certainly is not calculated to encourage holding products off the market, pending a price-betterment, but which, on the contrary, threatens to hasten liquidation as soon as that proves possible. It is true, as said before, that a veritable host of farm-aid agencies and organizations, of various sorts and kinds, have recently sprung into existence, and that the purpose of these agencies is said to be to enable the farmer, by financial and other means, to market his crop on a when, as and if advantageous basis. But from the farm centres themselves comes no indication that these agencies have yet reached a point where they could render any immediate and tangible aid, and it is just such aid—both immediate and tangible—which the farmers say they need. On the contrary, the indications are that even the most ambitious of these aid-projects is likely to be a long time in settling down to a working basis; and in the meanwhile the farmer continues at the mercy of the supply and demand situation.

Position and Outlook of Farm-Dependent Industries

With the farmer's present position and outlook, if not black, at least a rather decided gray, one is led to inquire into the position and outlook of the farm-dependent industries—that is, the particular industries which are most directly dependent upon farm-patronage for their prosperity.

Of course, the whole country is more or less directly dependent upon the farmer. He represents $33 out of every $100 of the spending power of the country; he is the greatest group-consumer of many types of manufactures; as such, his welfare is linked up directly with the welfare of us all.

There are two industries, however, which have the most direct contact with the farmer, and which, as such, serve best as a basis for inquiry into farm buying power. These industries are the mail order business and the granger railroads. An investigation into these two lines of industrial activity—the mail order house and the granger roads—reveals little that is encouraging and much that is discouraging in the farm situation.

Mail order sales, for example, in the month of June, experienced a precipitate decline from the preceding month—a decline which, while it comes at a time when seasonal reactions are expected, nevertheless is found to be more drastic than for any year since 1917. In figures, and using Sears-Roebuck's results as our index, we find that sales in June, last, were a full 33⅓% lower than in the preceding month, whereas the decline from May in previous years was as follows: 1922, 25%; 1921, 9%; 1920, 10%; 1919, 14%; 1918, 9%.

It should not be indicated that this decline in mail order sales has tended toward anything like demoralization in the mail order field. On the contrary, Sears-Roebuck's sales in June were well ahead of sales in the same month of 1921 and 1922 and well ahead of any other previous year, excepting the years 1919 and 1920. The decline is impressive, however, and betokens a very swift contraction of the farmer's current buying activities.

Besides the contraction in mail order sales, another indication of the condition of farm-dependent organisms is the grain shipments, as hauled over the freight lines of the country in recent weeks. This factor is covered in one of the graphs presented herewith and titled "Weekly Grain Loadings in 1923." Probably very few investors have realized how sharply the situation in respect of grain loadings has reversed itself since April.

Of course, the roads most affected by a decline in farm loadings are the so-called "grangers"—that is, the railroads of the great Northwest. And it is when we investigate the position of these granger roads that we find the most depressing result wrought by farmer-poverty.

There may be said to be eight granger roads, notably, the Chicago, Milwaukee

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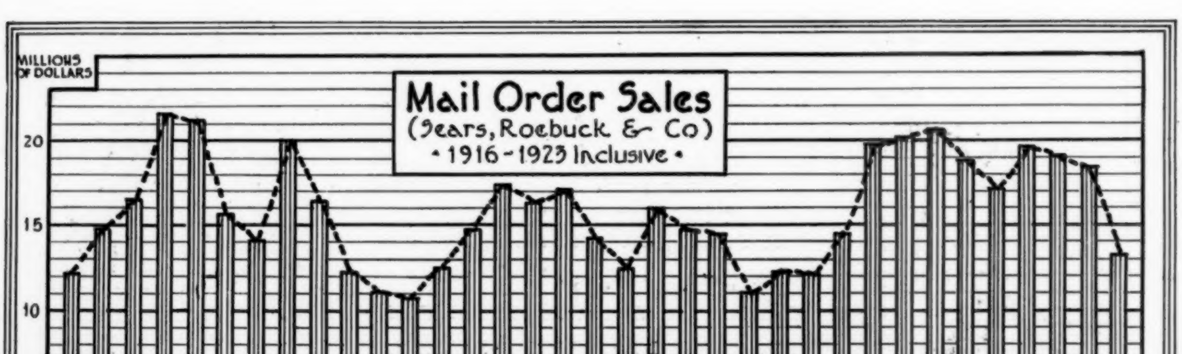

"Mail-order sales in the month of June experienced a precipitate decline from the preceding month—a decline which, while it comes at a time when seasonal reactions are expected, nevertheless is found to be more drastic than for any year since 1917."

Should We Recognize Soviet Russia?

Would You Give Free Access to Your House to One Who Had Sworn to Destroy It?

By SAMUEL GOMPERS*

NUMEROUS, and oft-recurring efforts to unseat Samuel Gompers from his position as spokesman and, in large measure, policy-former of the American Federation of Labor, have consistently failed. Gompers has emerged stronger than ever from each contest. Today he is undoubtedly one of the most influential labor leaders in America, if not the world.

Under the circumstances, Gompers' views on one of the leading problems of the day—the problem of whether or not this country should strike up relations with the Soviet—take on a special significance. The great decisiveness of his views, moreover, and the vigor with which he expresses them, swell the impressiveness of his remarks.

Of course, THE MAGAZINE OF WALL STREET *should not be construed as necessarily endorsing Mr. Gompers' stand because it publishes his statement. The purpose is, solely, to give our readers an opportunity to study the attitude, and the reasons for the attitude, of what might be called the more conservative, and, perhaps, the strongest element in American labor circles toward Sovietism and the Soviet form of government.*

WHEN I asked Samuel Gompers why his organization opposed recognition of the Soviet, the President of the American Federation of Labor looked at me pityingly.

"Would you recognize and give free access to your house to the man who had sworn to destroy it and your family?" he countered.

"The Soviet and the control of the Third International — the revolutionary communists of the world—are one and the same. The former is the political manifestation of the latter in Russia, and it supports its other self in the latter's grandiose scheme of violently overrunning the world as it has overrun Russia. We all know by what methods a handful of communists have imposed their tyrannical will on Russia. **To recognize the Soviet government of Russia would be to open America's doors to the full swing of the destructive assault of the Third International."**

"Their Corruption Already Widespread"

"But do you really think that even if they had free run of this country the Bolshevists could accomplish anything?"

"They already have corrupted a surprisingly large number of our people while working more or less under cover," was the answer, "and, if the Soviet government, that is to say the Third International, were recognized by this country, every consul, consular agent, trade agent and tourist from Russia would become a propagandist protected by treaty. The mere recognition of the Soviet government would give every subversive agent in this country a certain standing and prestige. Between the Third International and any democratic government there can be nothing but war, whether declared or not. Its purpose is the overthrow of all governments that are not to its liking, and the substitution by force and revolution of the brand of commissar tyranny that flourishes in Russia today as that nation dies. How any government can consistently recognize another that is intent upon its destruction is beyond my understanding. By its very nature the present government of Russia is in a perpetual state of antagonism to every government in the world that it does not dominate.

"Now, we of the American Federation of Labor are peculiarly interested in any move to increase the freedom of action of the enemies of our institutions because we are the Verdun of their attack. The communists see in our organization the chief obstacle to their purpose of stirring up bloody revolution. If they can undermine or eliminate the American Federation of Labor and what it stands for, they will either come into possession of an organization that they can use for their evil ends, or get rid of it—the one organization that is the negation of all that they stand for.

Should We Laugh at Communism?

"It is the custom just now to laugh down or ridicule every attempt to make a serious appraisal of what the communists are doing in this country. The prevailing skepticism in this respect is manifested by the sympathy of such men as Senators King and Ladd with the proposition that the Soviet government of Russia be recognized, and their mission to Moscow to confer with the Red leaders concerning recognition while at the same time those leaders are actively promoting the sovietization of the United States. But I am in a position to tell you that with the energy and unscrupulousness that are the characteristics of fanatics, and that is what they are, they are laboring night and day and through many agencies to reduce this country to a state of mushiness that will enable a small body of revolutionists to dominate it just as 200,000 Bolsheviki dominate Russia.

"Through various organizations they are ceaselessly seeking to break down patriotism, destroy every vestige of nationalism and national defense, engender class hatred, breed disgust for our democratic institutions and generally so to embitter the hearts and corrupt the thoughts of our people that they will be an easy if not a willing prey when the time comes.

"A certain peace-at-any-price society that teaches that the way to bring about universal peace is for the United States to disarm all by itself has a budget of $250,000 a year. Where do the funds come from? Who finances all the propa-

SAMUEL GOMPERS

* *In an interview granted exclusively to* THE MAGAZINE OF WALL STREET *through Theodore M. Knappen.*

INCONSISTENCY!

"Between the Third International and any democratic government there can be nothing but war, whether declared or not. . . . How any government can consistently recognize another that is intent upon its destruction is beyond my understanding. . . . By its very nature, the present government of Russia is in a state of perpetual antagonism to every government in the world that it does not dominate!"

ganda literature, traveling expenses and conventions of the communists?

"The 15,000 professing communists of the United States are devoting too much of their time to agitation to earn or possess property. Whence comes the money that keeps them going? I may or may not be able to prove it, but I think I know. Indeed, I would not be surprised if some of the money sent to Russia by the American Friends of Soviet Russia were expended on propagandists in this country instead of on the starving victims of sovietism in Russia.

"A Horde of Red Revolutionists"

"I speak advisedly when I say that since the overthrow by the Bolsheviki of the first and only democratic government Russia has ever had, America has been invaded by a horde of red revolutionists who have sought by every possible perfidious means to break down the organizations which American workers have set up for their own protection. Their objects are to replace the present American labor movement with revolutionary unions which would make our working people mere tools of Moscow, and then to use them for the overthrow of the American Republic.

"The soviets regard the American democracy as 'the foremost defender of capitalism,' and I can assure you that the efforts of their propagandists in the United States have been and are more intensive than elsewhere. They are setting up insidious avenues of contact in every field of American life from that of the maudlin rich to the desperately poor. There is a Communist party in this country that so avows itself, but the indirect political manifestations have been under perhaps half a dozen different names. Altogether, they have just now captured the organization of the Farmer-Labor party by precisely the same unscrupulous methods with which they threw and bound Russia.

"The Workers Party of America is affiliated with the Third International, and is a straight communist organization. The Trade Union Educational League, although it sometimes seeks to conceal its affiliations, is a communist agency for destructiveness in the United States. Its principal leader has visited Moscow and has been received there as representative of Soviet propaganda in the United States. Its membership is completely interlocked with that of the Workers Party and the Communist party.

"Another radical organization is the Friends of Soviet Russia which set up a mock famine relief scheme for the real purpose of spreading revolutionary doctrine. Also connected with the reds are the Fellowship of Reconciliation, the Rand School and the League for Industrial Democracy. In somewhat the same category are the American Fund for Public Service—the Garland Foundation, the Federated Press, an organization ostensibly formed for the purpose of distributing news to labor papers.

"Linked up with some or all of the foregoing is a chain of organizations known as the Workers' Defense Councils, which have the active cooperation of the American Civil Liberties Bureau, another camouflaged agency of Bolshevism. Then there is the Young Workers' League which seeks to enlist children and corrupt them while too young to be responsible, and educate them for the Workers' Party.

"The so-called National Council for the Prevention of War which has enlisted the sympathy of many unsuspicious and ingenuous persons follows a course entirely acceptable to Moscow and often secures the publication of its pacifist propaganda in the most conservative papers. It is a fine type of the camouflage organization inside or behind which the communists delight to work.

"The United Mine Workers of America have been compelled to face a 'boring-from-within' attack of the so-called Progressive International Committee of the United Mine Workers of America whose inception has been traced directly back to Moscow. Similar furtive invasions have been attempted against the machinists and the garment workers. The rape of the Farmer-Labor party by the American Moscovites, promoters of the Trade Union Educational League (which has been formally designated as the official representative in the United States of the Red International), is an evidence of the increasing boldness of the Reds in America as they sense a growing indifference to their destructive activities.

"There are several hundred communist publications or propaganda agencies in the United States, and the expense of preparing, printing and distributing their 'literature' runs into large figures. Under various disguises they offer our labor union papers and magazines, three hundred in number, approximately twenty-five instalments of propaganda literature a month. There is besides an enormous output of leaflets and tracts. Some of this stuff is candid advocacy of communism and revolution but most of it is cunningly camouflaged.

"The organized workers of the United States compose the one great body of workers in the world today that is not affected with revolutionary ideals and programs. They alone believe in democracy and orderly evolution of society to a higher and better plane. That is what makes America a firm rock in a world of political tempests. Yet at the same time that they are fighting democracy's battle against class tyranny by ruthless violence they have to face continuous warfare by other groups who profess to be devoted to American institutions. I say to the men of these groups that their best ally in fact is American unionism, and that if it is subverted or crushed they will not be able to stand alone. The underground battle for the control of American labor, now being vigorously waged by the Moscow agents in America, is the first combat for the Sovietizing of the United States. **The employers and the organized employees of America should stand shoulder to shoulder in this fight, but if the former cannot see far enough to grasp the situation, and meet us half-way in a fair and reasonable industrial understanding, they ought to have sense enough not to shoot us in the back while we are fighting the common foe of American institutions."**

SOVIET PROPAGANDIZERS!

"The Soviets regard the American democracy as the 'foremost defender of capitalism.'"

And Samuel Gompers sees Soviet propaganda in the teachings and emissions of—

The American Friends of Soviet Russia
The Workers Party of America
The Young Workers League
Trade Union Educational League
Fellowship of Reconciliation
Rand School
League for Industrial Democracy
American Civil Liberties Bureau
Progressive Intern'l Comm. of the Unit. Mine Workers of America

Besides these, and "in somewhat the same category," Gompers puts:

The American Fund for Public Service
Garland Foundation
National Council for the Prevention of War


Features of World Events
STOCK
BULLS TOSS STOCK
PRICES UPWARD
CAR LOADINGS AT
RECORD RATE
RUSSIA
TURKISH PEACE
SIGNED
SENATE
FARMER-LABO
CANDIDATE
ELECTED FROM MINNESOTA
TO SENATE
Fortnight
Ending
July 21st
JULY
1
FULL YEARS
DIVIDEND
MOST AUTO-COMPANIES
EARN FULL YEARS DIVIDEND
IN FIRST SIX MONTHS

Mr. Armour Steps Down

Control of Great Packing Company Outside of Armour Family for First Time in History—Mr. Armour's Case Compared With That of W. C. Durant—An Epic of Modern Finance

By HAYES WILSON

"Rumor-mongers of La Salle and Wall Streets have it that the huge Armour fortune, estimated at $250,000,000 in the heyday of its growth, has been virtually wiped out. Undoubtedly this is a wild exaggeration. But that the head of the large pioneer industries of America should have seen fit to put control of his company into the hands of a committee of bankers is significant, to say the least!"

SHORTLY after Armour & Co. of Illinois had successfully put out a $50,000,000 issue of 5½% first mortgage bonds, dated January 1, 1923, the Chicago wires uttered a brief statement that the control of the company had passed from the hands of J. Ogden Armour to the hands of three bankers for a period of five years. Around that short announcement a Wall Street Homer might write a financial Iliad, for between its lines those who know read an epic of modern industrialism.

Briefly, it meant that the man who for years has directed the affairs of one of the greatest corporations in the United States, had stepped down and handed the reins of power to others. Whether this action was taken willingly or perforce does not appear. High finance is not given to loquaciousness. But that the great house of Armour was under financial pressure appears from the fact that not long after the banking regency came into power it was stated that Mr. Armour had sold several millions of his stock holdings in Chicago banking institutions which would offer the shares to the public.

Reports which rumor-mongers have spread abroad in La Salle and Wall Streets in reference to the status of the huge Armour fortune, estimated at $250,000,000 in its hey-day, are unquestionably greatly exaggerated. Mr. Armour's bankers have explained that what he has done is to liquidate some of his private investments and put the money into the family packing business.

But that the head of one of the large pioneer industries of America has seen fit to put control of his company into the hands of a committee of bankers, is significant, at least. In some quarters the recent decline in the stock market was largely attributed to liquidation of Armour securities, which, it is believed, is now completed. It would be but natural for Armour to dispose of his stocks and bonds with ready markets before selling his investment and real-estate holdings.

It is a commentary on present daily journalism that the stepping down of Armour has received so little attention. Chicago papers say little or nothing and the New York papers give only the barest facts, without comment. Yet the comparatively unimportant financial difficulties of Louis K. Liggett and W. C. Durant received columns of space and profuse editorial comment with appropriate moralization. Such is the difference between being an "insider" and an "outsider."

Armour versus Durant

There is an old saying that prosperity is harder to stand than adversity. The magic of rising prices, increasing volumes of business and expanding margins of profits, goes, like wine, to even the soundest of financial heads. The sun always shines the brightest just before a storm. The tremendous increase in volume of sales by the packing companies during the war period called for constantly increasing working capital and consequent increase in bank borrowings and funded indebtedness. Corporations get caught in whirlwinds of inflation just as individuals. When the era of declining prices arrives inventories must be written down. Profits and even surpluses diminish or vanish.

Unless a corporation is in very strong financial position it is likely to find itself in difficulties, and one recalls the famous aphorism of a hero of the squared circle who once said in reference to a prospective opponent, "The bigger they are the 'arder they fall."

The case of Armour is in some respects similar to that of W. C. Durant who was relieved of the presidency of General Motors by his bankers in 1909. The latter believed that the automotive industry was top-heavy and riding for a big crash unless the most conservative methods were adopted. Perhaps they were right. Durant believed the industry was still in its infancy and his motto was "Full steam ahead." As a result of this difference of opinion the bankers refused to renew their loans to the company and Mr. Durant had his choice of stepping down from and out of the management or seeing the company go on the rocks. He chose the lesser of the two evils, and the banking interregnum lasted also for a period of five years. Events proved that Durant was correct. Was his judgment sounder or was he merely the better guesser? Who can say?

Durant was not even accorded the customary honors of war, being allowed to remain only on the board of directors. The story of how he acquired control of the stock of General Motors through purchase in the open market, how he paid off and ousted the bankers at the end of the five-year period, becoming again president and remaining such until his Waterloo in 1920, is a thrilling tale of big forces in conflict.

J. Ogden Armour is just sixty years of age, or three years older than W. C. Durant was when, for a second time, the latter was deposed from the control of General Motors.

Armour's Personal Fortune Involved

There is a further analogy between the two men in that both regarded their com-

J. OGDEN ARMOUR

W. C. DURANT

panies with a personal, proprietary interest. As a rule financiers regard personal fortunes and corporate fortunes as two entirely distinct affairs. In the case of a recently deceased heir to a great financial name, the decline of corporate wealth synchronized with the rise in personal affluence. A cardinal principle with most financiers is to let the other fellow take the risk. Durant, on the contrary, spent his entire personal fortune of upwards of $90,000,000 and went $2,000,000 into debt in a vain effort to support the market for General Motors.

At the time of the reorganization of Armour & Co. recently Mr. Armour negotiated a personal loan of $20,000,000, according to reports, putting up as collateral a number of stocks including a "substantial amount" of the stock of the Continental and Commercial National Bank of Chicago. Of this stock he owned 14,109 shares which, at the offering price of $272 a share, have a present market value of approximately $3,800,000. Armour has been known as the largest holder of bank stocks in the Middle West owning, in addition to the above-mentioned stock, 1,836 shares in the stock of the Central Trust Co., 313 shares of the First National Bank, 98 shares of the Harris Trust Co., 390 Live Stock Exchange stock, 200 shares of the Northern Trust Co. and 350 shares of the Stock Yard Savings Bank. The total value of these holdings is placed around $5,000,000. It is understood that Mr. Armour recently sold most of his holdings in other Chicago banks, including 848 shares of the Illinois Trust Savings Bank, valued at $340,000, previous to that bank's consolidation with the Merchants Loan & Trust Co. Inasmuch as bank stocks, such as the above are usually purchased for permanent investment, it is apparent that the need must have been urgent. In addition, Armour has sold for $1,000,000 eighty acres of land selected as the site for the campus of the Armour School of Technology by the founder of that institution, Philip D. Armour, father of J. Ogden Armour, and it is reported that the magnificent Armour country estate at Lake Forest is shortly to go on the market.

Armour and St. Paul

Several years ago the Rockefeller interests dominated the affairs of the Chicago, Milwaukee & St. Paul Railroad. At that time St. Paul paid 7% on its preferred stock which sold well above par. The last dividend distribution was in 1917 and at that time, or shortly thereafter, it is generally conceded that the Rockefeller holdings were liquidated. It is said that Armour continued to hold his St. Paul stock. In the parlance of the "Street" Armour was left "holding the bag." Inasmuch as the Armour holdings were rated as only second to the Rockefeller holdings, it is obvious that a decline of over $100 per share in the price of the preferred stock would mount into a total of considerable importance, even to a multi-millionaire.

"There is an analogy between the case of J. Ogden Armour and that of W. C. Durant. Both regarded their companies with a personal, proprietary interest. Durant spent his entire personal fortune of upwards of ninety millions and went into debt in a vain effort to support the market for General Motors."

At the time Mr. Armour relinquished control of the company for a five-year period he trusteed 51% of the company's common stock with his bankers. These trustees are Arthur Reynolds, president of the Continental and Commercial National Bank of Chicago, Samuel McRoberts, president of the Metropolitan Trust Co. and Albert H. Wiggin, president of the Chase National Bank of New York. Mr. Armour has the satisfaction which Mr. Durant lacked of knowing that he is in the hands of his friends since all of the trustees are directors of Armour & Co. and have been closely identified with the company for years. Samuel McRoberts in particular is an "Armour man" having begun his successful career as attorney for the company and having been treasurer from 1904 to 1909.

Half a Century of Control

For the first time in upwards of half a century, then, the vast Armour interests are under the direction of others than the immediate Armour family. Since the day in 1870 when Philip D. Armour moved his meat business to Chicago and founded the Armour industrial dynasty, Armour & Co. has been strictly a family affair. It was only in 1918 that preferred stock of Armour & Co. was listed on the

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WILL THIS GO ON THE MARKET TOO?
Even the magnificent Lake Forest Estate of the Armour family is not overlooked in the stories now going the rounds as to the holdings which J. Ogden Armour may relinquish

A Question Second to None:

Can Rights of Minority Stockholders Be Protected?

A Vital Matter to All Stockholders

By RUDOLPH L. WEISSMAN

YOU are a stockholder in the A Company for ten years or more. You have been patiently waiting for dividends. When the incoming business and profits were small you didn't mind sitting tight. Now, however, with a big cash surplus, in your opinion unnecessary, the directors still insist on maintaining their previous policy. Can you compel the division of a portion of the corporate surplus?

Or, you happen to be the owner of a small block of the stock of a fairly successful automobile company, which embarks on the manufacture of adding machines, in which venture the possibility of profits is as small as the number of small enterprises that have failed in this field is large. What can you do? Are you in a position to restrain the directors from proceeding, or must you helplessly witness at once the dissipation of the surplus and your hopes of an income from this source? Is the good faith of the directors material?

A third line of thought—what are the relative rights between holders of preferred and common stock?

The problems concerning the rights of stockholders are so inextricably woven into the entire fabric of corporation law that it is impossible to separate a few questions and label them rights of minority stockholders. We shall deal only with certain interesting features of a larger question. Topics largely controlled by statutory provisions are omitted to avoid confusion.

A dividend can be declared only out of the surplus or net profits; the capital cannot be dissipated in this way. Given a surplus, the courts are loath to interfere with the discretion vested in the board of directors as to whether a dividend shall be declared and the amount thereof, if declared. More than one successful corporation owes its success to the firmness of the management in using profits to develop and improve its plants or maintain an adequate working capital.

The fair and honest discretion of the directors, however, must not be abused. Equity has at times been successfully invoked where a large surplus has been accumulated and the directors apparently exclude the shareholders from the fruits of success for ulterior purposes. Money may be borrowed temporarily with which to pay dividends where profits have been invested to enlarge the corporate business. Directors may feel that the return on the investment will be considerably larger than the interest on the loan, but at best, from a financial standpoint, the practice is one to be discouraged. Once declared, the amount of the dividend constitutes a trust fund merely held by the corporation for the stockholders, and in contemplation of law, is separated from the other assets of the corporation.

The internal management of a corporation, questions of administration and the expediency of proposed measures are generally beyond the province of the courts. Here the majority governs. If Mr. and Mrs. Smith were permitted to air their grievances against each other, imaginary and otherwise, in court the results would be similar to legal interference in corporate management. An eminent jurist has stated that the courts would not be justified in interfering even in doubtful instances, where the action of the majority might be susceptible of different constructions. "To warrant the interposition of the court in favor of the minority shareholders in a corporation or joint stock association, as against the contemplated action of the majority, where such action is within the corporate powers, a case must be made out which plainly shows that such action is so far opposed to the true interests of the corporation itself as to lead to the clear inference that in one thus acting could have been influenced by any honest desire to secure such interests but that he must have acted with an interest to subserve some outside purpose, regardless of the consequences to the company, and in a manner inconsistent with its interests."

Probably all that has been written on the subject was tersely summarized in another New York decision by the statement, substantially, that a board of directors may be compelled to act honestly, but not wisely.

__The question as to whether the rights of minority stockholders can be protected is briefly but fully discussed in this unique and frank exposition of a subject that is of vital interest to all stockholders. The article is particularly interesting because it is written from the legal viewpoint and as such represents the most practical attitude toward stockholders' rights.__

The issuance of preferred stock has grown out of the necessity of satisfying a particular economic class—those who desire a higher return than it is generally possible to procure as a bondholder, who is a creditor, and yet avoid some of the risks inherent in the holding of common stock. Unless governed by statute, the relation of common and preferred stockholders to each other and the corporation is solely contractual. Their preferences are usually in the right to certain dividends before the payment of dividends on the common stock. When cumulative, the dividend arrears of one period are payable out of the earnings of subsequent periods. Yet, dividends on preferred stock are only payable out of earnings, even in the face of a so-called "guarantee." Recently provisions have become customary for the exercise of voting power in the event of the failure to pay dividends for a number of successive periods. Also, the consent of two-thirds of the preferred shareholders is required to create prior liens.

In the Pierce Oil controversy, the preferred stockholders gained a complete victory in their battle against Henry Clay Pierce, head of the company, under a recent decision of the Supreme Court of Virginia. The decree provided that the election by which Henry L. Doherty came into control of the company is null and void and is set aside; that Pierce, Doherty and Alton B. Parker, directors, be prohibited from exercising authority as directors and that a meeting be called for the election of a directorate by the preferred stockholders. The preferred stock had no voting power until default was made in the payment of four quarterly dividends thereon, whereupon voting power vested exclusively in the preferred stock.

The opposition of the Allied Chemical & Dye Corporation, a stockholder in the Steel & Tube Co., grew out of the opinion that the sale of that company to Youngstown Sheet & Tube Company was made at too low a price.

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An Unrecorded Tax on the Old Home Town

Six Dollars Per Year Per Capita—and All of It Could Be Saved!

By WILLIAM H. BARBOUR

Of the Investors' Vigilance Committee, Inc.

YOUR home town is an average American community. You may paint a word picture of it that is entitled to first prize. Or, you may be able to find a hundred things wrong with the old town. But after all it's average. If you have tried to locate a house for rent anywhere you'll get the same answer. Every community has its school problem; its street paving and other municipal improvement worries, and every single taxpayer is sick—at least until after he sees the tax collector, and then he proceeds to forget about it until the next time the bills come in. The average American community is just like a boy changing over from "knickers" to "longies"—it's just so blamed awkward that it doesn't know how to handle itself.

But, you live in a town that's just average in another way. It has its quota of questionable securities "suckers." If it has not its full quota, your town is to be congratulated. If it has more than its share, it is to be pitied. By the same token, it is just as cautious about investing in home industries as it is not cautious about falling for the subtle story of the slick stock salesman, but more about that later.

Six hundred million dollars in coin of the realm are handed out by us Americans each year, to peddlers of questionable securities. And yet we pose as business men! I haven't the space to tell you the toll your home town is paying. You know its population. Multiply it by six

Mister Investor when asked to help finance a Home Town Industry he can know all about and watch

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This page has been donated by THE MAGAZINE OF WALL STREET *for the express purpose of presenting regularly the work of the Investors' Vigilance Committee, Inc., with whom we are cooperating in conjunction with the Chambers of Commerce and other Business Organizations of the Nation.*

The statements contained herein are not guaranteed but are based upon information which we believe to be accurate and reliable.—Editor.

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and you have the answer. Dollars that have flown away as surely as the water tumbles along the creeks, into the rivers and on to the seven seas. But dollars that have needlessly been allowed to flow away; that could have been saved if the folks who were stung had just heeded the warning:

Stop, Look and Listen!
or
Investigate Before Investing!

Take the case of a Pennsylvania community we have in mind at this writing. There are 20,000 folks within its corporate limits. Last year it contributed its full share of $120,000, and probably more, to the coffers of questionable promoters. It helped make the Motors Mortgage crash more loudly heard. It figured in the L. R. Steel smash-up. It didn't turn a cold shoulder to H. V. Greene propositions. No sir, it was right on the questionable securities band wagon as radiant as a circus queen perched high up on the boa constrictor's stage coach!

Let a dapper young man slip into this Pennsylvania community at night and blossom out with the morning glories, spring his carefully rehearsed and stereotyped sales talk and you can set a twenty-course dinner for ten on the coat tails of the "conservative investors" galloping after the beautifully engraved stock certificates.

And yet the same "conservative investors" thought several times before investing in a $50,000 proposition to market what was admitted, by refrigeration experts, to be the finest kind of an ice-cream cabinet; head and shoulders above anything else on the market, figuratively speaking—and then decided the whole proposition to be too risky. The fact that they knew the young men who had carried the concern past the first stages—natives of the town and with recognized ability—did not cut very much of a figure. "The boys are all right you know—but they are pretty young," was the verdict of the aforementioned "conservative investors."

In the same town twenty-five years ago an opportunity to invest in a local industry was turned down as cold as a cucumber by the conservative investors of that time. The company found money. But it never again offered its stock. A year ago after paying dividends for twenty years and just when everybody imagined that things were not as bright as they might be, the directors declared a nine hundred per cent stock dividend, if you please. And, it has kept right on paying the seasonable dividends. Of course, it hasn't paid nearly as big dividends in any year as the Yam Yam and Webfoot Mining Company subsequently *offered* to the same community, and the only thing wrong with the latter proposition, which found plenty of takers by the way, was that it handed out beautifully engraved stock certificates—but nothing more.

Another Inland Town "Invests"

Another inland town we have in mind has been consistently contributing its full share. Last year it chalked up at least $90,000 in questionable stocks. One of its own townspeople brought out an emergency lighting unit, a few months since. It carries the endorsement of the State Department of Labor and Industry in its home state as well as in several other states. It has been financed right up to

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The same Mister Investor when approached on an Out-of-Town Proposition he never heard of and couldn't watch if he had heard of it

Foreign Trade and Securities

Where Foreign Exchange Is Headed

A Review of Underlying Conditions in the Major Commercial Nations—Increasing Importance of Non-European Countries

By MAX GOLDSTEIN

FOREIGN exchange is very often regarded as one of the most complicated branches of the whole mysterious science of banking, one of the fields set aside as the peculiar stamping-ground of the specialist. The day-by-day fluctuations which are all that the outsider usually sees of the exchange market, are known to be caused by a large number of different factors, some of them world wide in their range, and there is no one trading floor on which men meet to buy and sell, as in the case of the great commodities and securities markets.

There remains also the awesome tradition of the old-time "cambist." the professional arbitrageur and the dealer in exchange, who would deal with the most delicate adjustments of tenths of one per cent and was forever concerned with apparently the most irrelevant questions to his field. If there was a poor crop in India, he would say, "Sterling is going up"; if the New York interest rate rose half a point, he would sell francs, and all this curious line of reasoning appeared to be the normal conduct of his business.

While the fundamental principles of foreign exchange have not been touched, being rooted in the modern industrial system itself, yet there is an enormous difference between the foreign exchange markets of today and those existing before the war. Time was when a drop in the sterling rate from $4.8665 to $4.85 within a month would cause a riot, and a rise to $4.88 would send the bankers scurrying to ship gold over to London. Now such fluctuations and more in a day are common, and the less stable exchanges fluctuate much more widely, going up or down 5% in a day in an active market.

Fundamental Differences

The difference is that, before the war, all the important countries permitted the free export and import of gold, being on a gold basis. If sterling went too far up, an American who needed sterling funds could ship actual gold instead, and vice versa, if sterling went too far down, a London banker would prefer to settle American obligations in gold. The cost of shipping gold, including freight, insurance and interest on the money involved in transit, therefore, represented the leeway within which foreign exchange quotations could fluctuate. This amount above or below par fixed the "gold points," above or below which it would pay to ship or receive gold rather than settle in exchange bills.

Now that America is practically the only important country on a free gold shipment basis, while the others all deal in paper, this situation has been abolished. The same factors as before still influence exchange, but their operation is no longer limited by the possibility of using gold, which has a fixed parity and a fairly constant shipping cost, instead of paper. They are therefore subject to all sorts of erratic and wide fluctuations, and, in addition, there are some factors, such as popular speculation and attempts at Government rate-fixing, which were unimportant before the war.

Compared with Securities

We shall perhaps best understand the workings of the foreign exchange market by comparing it to any securities or commodity market subject to the free play of supply and demand. At any given time, for any given country, there are two sets of people in the market: those who send money to the foreign country, and those who receive money from it, in other words, buyers and sellers of that country's exchange representing funds on deposit abroad in the foreign country's currency. When there are more people anxious to buy than to sell, rates go up on the foreign country and against the United States (assuming the market to be in this country); if the opposite is the case, the foreign rate will go down.

There are many reasons why people should want to send money to foreign countries, or receive money from abroad. Imported goods must be paid for in the currency of the country from which they are imported; tourists' expenses, shipping and marine insurance charges, remittances to people living abroad, deposits made to secure a higher interest rate prevailing at a foreign banking center, subscriptions to foreign loans placed in this country, all these obligations are settled by buying exchange bills, representing funds on deposit abroad in a foreign currency.

Similarly, exports, interest on foreign loans, and in general all forms of payments made by foreigners to Americans, are settled by the purchase abroad of dollar exchange, which is equivalent to selling foreign exchange here, and has the same effect in tending to depress exchange rates.

The rise and fall of exchange rates is, therefore, caused by and measured by the ebb and flow of money to or away from this country, and our examination of the prospect for the important exchange rates will consist in summarizing the various factors which will tend to influence the tide of money payments from this country abroad and vice versa. The effect of any of these factors should be clear to the reader from what has been said above. The only question to be asked is, Will it cause money to flow from America abroad or from abroad to America? If the former is the case, it will tend to raise exchange rates on foreign countries; if the latter, it will tend to depress them.

For instance, as long as the rediscount rate in New York was 4½% and the Bank of England rate 3%, it paid Englishmen to buy dollar funds and keep them here to take advantage of the higher rate, and thus money moved from England to America and tended to put the sterling rate down. Now that the Bank of England rate has been raised to 4%, money will have little inducement to come to America instead of staying in England, and this should tend to help sterling up. Of course, the actual exchange rate is the composite result of a large number of such factors, and any single one alone will not give a correct idea of what may be expected of exchange rates. Here the element of personal judgment enters in, in selecting as large a number of such factors as possible, and in assigning them their proper weight in affecting the future of exchange rates for each country.

EUROPE

There are some factors which influence the exchange rates of practically all European countries alike, and which we may, therefore, call European. Among them are: the necessity of importing larger quantities of foodstuffs from America than before the war, as a result of les-

sened home production; the breakdown of normal trade relations as a result of the economic collapse of Central Europe, intensified by the Ruhr invasion; the prospect of having to pay off the war debts to Great Britain and America; the inability of most countries to balance their budgets, resulting in great internal and external loans, interest on which has to be met by taxation which hampers industry and trade, including exports; and inflation, which depreciates the purchasing power of a currency in foreign markets, measured by the exchange rate, as well as in the domestic trade. All these factors have been unfavorable in most European countries, and account for the low quotations on most European currencies. In addition, there is a normal seasonal decline about this time of year due to the importation of American crops. In the following paragraphs we shall try to give a brief summary of economic factors within specific countries which would be likely to affect their exchange quotations.

GREAT BRITAIN. Most of the factors bearing on British exchange have been, on the whole, favorable. The government has succeeded in balancing its budget; the export trade has been showing a decided improvement in recent months, while imports have not been going up so fast, so that the import deficit is decreasing. The rise in the Bank of England rate to 4% indicates the tighter money situation caused by the mild business revival which is now on in Great Britain, partly as a result of the temporary removal of German competition through the Ruhr invasion.

The buying of American securities, which brought much English money to this country in recent months, will be slowed down by this development. Foreign loans placed in Great Britain, while still larger than those floated in this country, are below normal, meaning that less money is flowing out of the country than usual, and so helping sustain exchange quotations. The shipping business, which normally brings in much foreign money to Great Britain, is active on the passenger end, though freight business is dull, and coal exports have risen sharply. Judging by the level of yields on British investment securities, money rates could rise still further without disrupting the normal relationships of the money market, although such action is not expected very soon. **Prospects for a rise in sterling therefore seem favorable, although the seasonal decline, due to importation of American crops, may hold it off for a few months.**

FRANCE. An inspection of the French economic situation, as related to the probable movements of exchange rates, reveals little that is hopeful. Prices are rising, the Government is unable to balance its budget, because of inability to collect taxes, and so has to borrow billions of francs from its own citizens in the form of short-dated bonds and notes; the continuing import excess (so far as can be judged by the unreliable export figures), and the heavy military expenditures are all factors that operate to pull the franc down. On the other hand, crops have been quite good this year, and certain lines of industry, notably chemicals and steel, have been benefited by the shutting-off of German competition. **On the whole, however, the poor fiscal position of the country and the probability of inflation indicate that the major trend of the French franc for the near future will be down.**

GERMANY. The difficulties in the German situation, which have caused the spectacular decline of the mark to unprecedentedly low levels, are merely those of the French situation immensely magnified, and with further complications. Both countries are far from balancing their budgets, and both have a greater excess of imports than they are in position to afford; but where France has been covering up its deficit by borrowing money, Germany has been inflating its currency by huge weekly additions to its note circulation. Each further addition, of course, means more inflation, and lessening the value of the mark both internally and externally, the latter being reflected in the exchange rate. Signs are multiplying, however, that the situation is reaching a crisis; unemployment has been increasing rapidly in Germany, partly as a result of the Ruhr invasion and partly because of the enormous rise in internal prices; interest rates are at absurd figures, 18% being the Reichsbank rediscount rate and the regular commercial rate having risen to 100% and over in a vain attempt to cope with inflation. **No relief from any of the depressing factors being so far in sight, except for a slightly more conciliatory policy on the part of France with regard to the Ruhr, the outlook for the mark is for a further decline, in the long run, until the final reorganization of Germany's entire financial system.**

ITALY. The new Fascist régime has been able to show some successes, in the way of reduction of Government expenditure, lessened deficit from railroad operation, price stabilization, and some increase in agricultural production and in the output of steel, iron, manufactured products, etc. The expectations of the great financial centers on the inauguration of the new régime were clearly indicated by the sharp rise in the rate on Italian lire which set in then and was maintained for a few months. Since then, however, the rate has been declining slowly but steadily, and is now a full 20% below the high of the recent movement, and below the point at which the rise commenced.

(Please turn to page 669)

FOREIGN EXHANGE RATES

The high and low rates for Foreign Currencies at New York for 1920, 1921, 1922, and the rates at the time of writing are shown in the table below. Sterling rates are in dollars and cents per £, all others in cents per unit. The last column shows per cent of par as of July 24, 1923.

	Unit	Par of Exchange	1920		1921		1922		July 24, 1923	% of Par
			High	Low	High	Low	High	Low		
Great Britain	Pound	4.8665	4.0675	3.1800	4.2425	3.5300	4.6900	4.1700	4.59¾	92.4
France	Franc	19.30	9.290	5.725	8.825	5.790	9.270	6.170	5.97½	30.5
Italy	Lire	19.30	7.57	3.31	5.67	4.80	5.60	3.83	4.37½	22.6
Belgium	Franc	19.30	9.35	5.99	8.81	6.09	8.71	5.72	4.96	25.7
Switzerland	Franc	19.30	18.51	15.14	19.52	15.22	19.60	18.04	17.81	90.8
Spain	Peseta	19.30	19.30	11.75	15.30	12.45	16.10	14.46	14.31	73.8
Norway	Krone	26.80	22.00	12.97	19.75	11.70	19.16	15.35	16.21	60.5
Sweden	Krona	26.80	22.45	17.65	25.15	19.90	27.05	24.60	26.58	99.1
Denmark	Krone	26.80	19.00	13.00	21.75	14.95	22.13	19.91	17.48	70.5
Holland	Florin	40.20	39.37	29.30	36.95	30.40	40.13	36.21	39.24	90.0
Argentina	Peso (paper)	42.45	43.20	32.62	35.87	28.37	38.18	33.25	34.00	80.3
Brazil	Milreis	32.44	28.00	13.87	16.25	10.37	14.25	11.25	10.40	32.0
Chile	Peso (paper)	36.50	24.00	10.71	14.73	9.50	14.50	9.50	12.35	33.9
Uruguay	Peso	103.42	.....	.....	.....	.....	86.80	71.00	79.00	76.7
Canada	Dollar	100.00	92.35	81.90	95.10	81.85	100.562	93.50	97.38	97.3
Japan	Yen	49.85	52.50	47.00	48.62	47.31	49.10	47.25	48.85	98.0
Austria	Krone	20.26	.9000	.2050	.3150	.0275	.0362	.0011	0.0014	0.1
Czecho-Slovakia	Krone	20.26	2.96	.98	1.75	.92	3.60	1.55	2.99½	14.8
Finland	Markka	19.30	5.75	2.10	3.60	1.20	2.77	1.85	2.77	14.3
Germany	Mark	23.82	3.13	.99	1.81	.32	.59	.0112	0.00027½	0.001
Greece	Drachma	19.30	15.38	6.85	8.10	3.98	4.61	1.20	2.52	13.0
Rumania	Ley	19.30	3.12	1.10	1.85	.52	1.09	.56	0.52½	2.6
Jugoslavia	Crown	20.30	.75	.71	.90	.26	.48	.28	1.05	5.2

Bonds

Of Particular Interest to Business Men with Funds to Invest

How to Obtain A Monthly Income from Bonds

Principles of Bond Investment Practically Applied

By THOMAS B. PRATT

INVESTMENT in a general sense consists of the purchase of security for the purpose of obtaining an income.

Under this general practice are innumerable factors influencing the type of investments suitable to the individual investor. To enumerate but a few of them, there is the question of maturity, the rate, the character of mortgage, classification of bonds under the heads of government, state, municipal, real estate mortgages, railroad, industrial, public utility, etc.

In a broad sense, investment is differentiated from speculation in that one is a purchase of income and the other an endeavor to increase principal.

There are no set rules that can be laid down to guide the individual investor in his choice of security. The small investor who is making a beginning and who ties up his savings in bonds, has to exercise extreme caution. The principal factor in his selection is safety of security, and for this reason he should at the start at least purchase only the highest grade bond he can obtain. As he buys more bonds he can commence to diversify his investments and include among his list some bonds that have elements of speculative features to them.

One of the largest class of investors in the country is the business man, who is able to invest twenty thousand dollars or more, and, owing to his income from his business, is warranted in selecting a more speculative group of securities than the small investor, a widow or an estate. It is with the problems of this class of investor in mind that this article is written.

Diversity

There is probably no better rule to follow in investing than the old adage to the effect that one should not put all his eggs into one basket. Even the business man who has an income other than that obtained from his investments should not ignore this rule. There is no business that is absolutely free from risk, and even a security that is of the highest grade today may in a few years be of doubtful character, because of change in economic conditions.

While the business man may be warranted in assuming the risks that run with comparatively large yields in some of his investments, he should at the same time scatter that risk over as wide a territory as possible and in as many lines of business as possible, and he should also include among his investments securities of the highest grade which are not as much affected by changes in conditions as those of a more speculative character.

In the list shown with this article there are twenty-two securities enumerated. In this list there are six railroad bonds, two government, seven industrials and seven public utilities. There is not only a diversity shown in the character of business and security, but it will also be found that the securities in any one particular group are fairly well scattered as to risk.

This article contains many helpful suggestions for those who desire to obtain a regular monthly income from bond investments. It is specifically intended for business men with funds to spare of $20,000 and upwards, but has equal application to smaller investors who will find in the accompanying list a number of excellent selections that will meet with their requirements.

Income Distribution

Another problem that arises with the business man who has money to invest, is the distribution of his principal in such a manner that the income to be derived will not be paid in three or four months of a year, but will be scattered throughout the year. In compiling the list accompanying this article, it has been our endeavor to select securities with such dividend dates as will return to the investor an income of approximately one hundred dollars a month, each month of the year.

In one or two months it will be found that the income is less than one hundred dollars and in others a little above that amount. It is a list, however, that returns an attractive income, which is 5.765%. It requires the investment of $20,815, and returns an annual income of $1,200. The securities listed could not have been purchased a few months ago at the same prices shown in the table. It is only due to the decline in the bond market that such an attractive return can now be obtained from the securities shown in the list which are generally high grade, although containing several favorable speculative features.

Another feature of this list is that bonds are selected so that each one is of one thousand dollars denomination. The advantage of this lies in the fact that it is always easier to obtain the actual market for a thousand dollar bond than for one of a lower denomination. There is no reason why the business man or the investor who desires to purchase an income of this size should purchase any bond of less than $1,000 denomination.

This, of course, is not intended as a criticism of smaller denomination securities. There are many issues in which the $100 and $500 denominations have practically as ready a market as larger denominations, and there are several investment houses that specialize in the small denominations, similar to the Stock Exchange houses that specialize in odd lots of stock.

It should not be assumed that the accompanying list is to be taken as a recommendation for the investor who can afford to buy an income in units of $100 a month. This list is merely submitted from bonds listed on the New York Stock Exchange for the purpose of showing how an income of $100 a month may be purchased.

There are any number of other combinations that would work out as satisfactorily. The investor, however, should remember that in such a diversified list as this he undertakes the responsibility of frequent and careful checking of the conditions affecting his purchases. One way

Interest Dates		Maturity	Cost	Monthly Income	Yield
January and July	St. Louis & San Francisco Prior Lien 4s	1950	$667.50	$20.00	6.68
	Government of Switzerland 20-Year Sinking Fund 8s	1940	1155.00	40.00	6.52
	Punta Alegre Sugar Convertible Debenture 7s	1937	1080.00	35.00	6.15
February and August	Ontario Power of N. F. 1st 5s	1943	945.00	25.00	5.43
	New York Telephone Co. Sinking Fund Debenture 6s	1949	1050.00	30.00	5.62
	New York Connecting Railway First A $4\frac{1}{2}$s	1953	865.00	22.50	5.43
	Julius Kayser & Co. 1st 7s	1942	1025.00	35.00	6.78
March and September	Dutch East Indies External Sinking Fund 6s	1962	955.00	30.00	6.30
	Lackawanna Steel 1st Con. 5s	1950	890.00	25.00	5.82
	Lake Shore & Michigan Southern Debenture 4s	1928	940.00	20.00	5.30
	West Penn Power 1st E 5s	1963	877.50	25.00	5.80
April and October	Niagara Falls Power General & Refunding 6s	1932	1040.00	30.00	5.43
	United Stores Realty Sinking Fund Debenture 6s	1942	990.00	30.00	6.05
	New York, Chicago & St. Louis First 4s	1937	870.00	20.00	5.38
	Public Service Corporation of New Jersey General 5s	1959	835.00	25.00	6.14
May and November	New York Air Brake First Convertible 6s	1928	1020.00	30.00	5.54
	Ontario Transmission First 5s	1945	940.00	25.00	5.46
	Michigan Central First $3\frac{1}{2}$s	1952	800.00	17.50	4.79
	U. S. Steel 5s	1963	1020.00	25.00	4.85
June and December	Baltimore & Ohio Refunding & General A 5s	1995	830.00	25.00	6.06
	New England Telephone & Telegraph 1st A 5s	1952	970.00	25.00	5.20
	Producers & Refiners Sinking Fund 8s	1931	1050.00	40.00	7.17
			$20,815.00	$600.00	
		Percent of income			5.765
	Annual income $1,200.00				
	6 Months income 600.00				

of doing this is to deal with a high-grade investment house that is willing to watch his securities for him, and will advise him frequently regarding conditions affecting the companies in which he has an interest. There are plenty of houses that provide high-grade services of this character, but the investor should go even further and call on such houses a few times a year and go over his list personally either with a partner or the head of the statistical department, or some other similarly qualified expert in investment matters.

Specific Issues

With such a diversified list as is represented here there will be frequent opportunities for the investor to take a profit and re-invest his funds in other securities of a similar character. In this way while he is protected at all times through spreading his list, he is also able to take profits due to the semi-speculative character of some of his holdings.

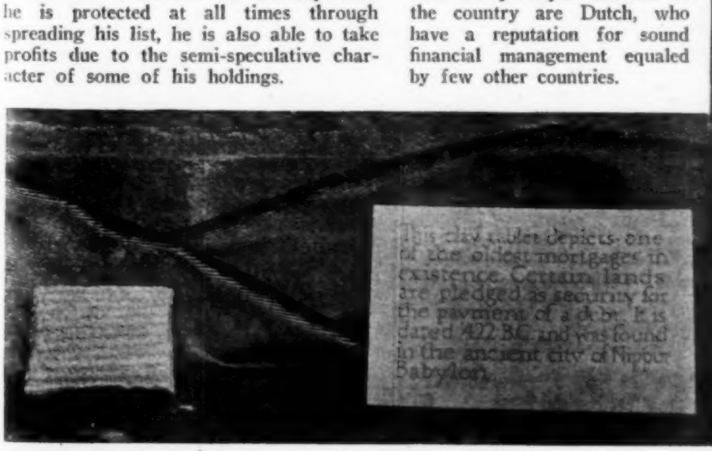
The two government bonds mentioned in the accompanying list, the Government of Switzerland 20-Year Sinking Fund 8s of 1940 and the Dutch East Indies External Sinking Fund 6s of 1862, are particularly attractive foreign government issues. Switzerland has an excellent financial record and business conditions in the country since the beginning of 1923 have been improving to a material extent.

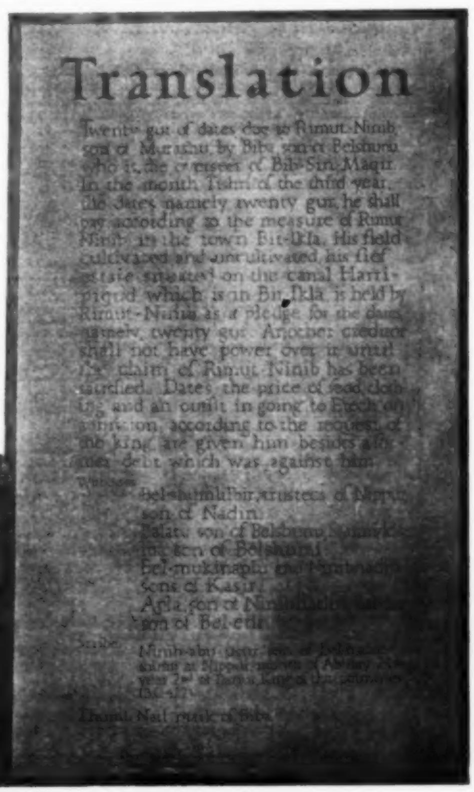
The Dutch East Indies has recovered remarkably in the past three years from the period of depression. The country is well managed from a financial point of view, which is due, of course, to the fact that the principal interests in the country are Dutch, who have a reputation for sound financial management equaled by few other countries.

Among the public utilities, one of the most attractive bonds in the list, is that of the Niagara Falls Power Company. This company is one of the country's greatest public utilities. It is exceptionally well managed, its securities demand a high rating, and its earnings are particularly attractive. The public Service Corporation of New Jersey has shown a decided improvement during the past two or three years, while the telephone issues mentioned in the list are particularly high grade.

Among the rails, probably one of the most attractive issues mentioned, is the Michigan Central First $3\frac{1}{2}$s of 1952. Following that issue the New York, Chicago & St. Louis First 4s of 1937, and the Lake Shore & Michigan Southern Debenture 4s of 1928, stand out. The New York Connecting Railway First $4\frac{1}{2}$s are guaranteed jointly and severally by the Pennsylvania Railroad and the New York, New Haven & Hartford Railroad. The latter's guarantee would not be so attractive were it not that the Pennsylvania has also endorsed these bonds, which give them a particularly strong investment rating.

In the industrials there is exceptionally good diversity ranging from U. S. Steel 5s of 1963 to Julius Kayser & Company First 7s of 1942. The steel bonds are probably the highest grade industrial security on the New York Stock Exchange. Among the industrials is a sugar company, and sugar securities are certainly attractive at this time. Julius Kayser & Company have done remarkably well in the past two years, and it is stated that 1923 earnings are exceeding those of last.




Translation

Twenty gur of dates due to Rimut-Ninib, son of Murashu, by Bibi, son of Belshunu who is the overseer of Bit-Sin-Maqir. In the month Tishri of the third year, the dates, namely twenty gur, he shall pay according to the measure of Rimut-Ninib in the town Bit-Ilkla. His field cultivated and uncultivated, his fief estate situated on the canal Harri-piqud which is in Bit-Ilkla is held by Rimut-Ninib as a pledge for the dates, namely twenty gur. Another creditor shall not have power over it until the claim of Rimut-Ninib has been satisfied. Dates, the price of food, clothing and an outfit in going to Erech on a mission, according to the request of the king, are given him besides a former debt which was against him.

Witnesses:
[illegible], trustees of Nippur, son of Nadin.
Balatu son of Belshunu, [illegible] son of Belshunu.
Bel-mukin-aplu and [illegible] sons of Kasir.
Apla, son of [illegible], son of Bel-etir.

Scribe: Ninib-abu-usur, son of [illegible]

Thumb Nail mark of Bibi.

BOND BUYERS' GUIDE

Bond	Denom.	Apx. Price	Apx. Yield	¶Int. earned on entire funded debt
HIGH GRADE (For Income Only)				
Non-Callable Bonds:				
Canadian Northern Debenture 6½s, 1946	(a)	112	5.50	*
Delaware & Hudson 7s, 1930	(b)	108	5.60	2.10
Great Northern Genl. 7s, 1936	(c)	108½	6.00	3.75
New York Central Rfd. and Imp. 5s, 2013	(c)	†96	5.30	1.65
Western Union Telegraph Co. 6½s, 1936	(a)	109¼	5.60	e 3.00
New York Edison Co. 6½s, 1941	(b)	‡109½	5.60	3.30
Bush Terminal Buildings 5s, 1960	(a)	90	5.65	1.85
Callable Bonds:				
Armour & Co. of Del. 1st 5½s, 1943	(c)	88¾	6.50	5.00
Armour & Co. Real Estate 4½s, 1939	(a)	84	6.10	....
Canadian General Electric deb. 6s, 1942	(a)	101	5.90	4.40
Duquesne Light Co. 6s, 1941	(b)	103½	5.75	3.40
Philadelphia Company 6s, 1944	(c)	100	6.00	3.50
Short-Term Bonds:				
B. & O., P. J. & M. 3½s, 1925	(b)	94	6.45	1.35
B. & O., Southwest Div. 1st mtg. 3½s, 1925	(b)	94¼	6.65	1.35
Seaboard & Roanoke 1st 5s, 1926	(a)	97¾	5.60	....
Southern Pacific conv. 4s, 1929	(a)	92¼	5.50	2.40
Union Pacific conv. 4s, 1927	(b)	95½	5.30	3.10
Dominion of Canada Internal 5½s, 1927	(d)	100¾	5.30	....
Bell Telephone Company of Canada 5s, 1925	(b)	98	6.25	2.75
Aluminum Company of America 7s, 1925	(a)	103½	5.50	....
Central Leather Co. 1st 5s, 1925	(c)	98½	5.95	....
Sinclair Crude Oil Purchasing 5½s, 1925	(a)	97½	7.07	....
Columbia Gas & Electric Co. 1st 5s, 1927	(b)	96¼	6.00	6.90
MIDDLE GRADE (For Income and Profit)				
Railroads:				
Baltimore & Ohio, 1948	(b)	78	5.60	1.35
Carolina, Clinchfield & Ohio 1st 5s, 1938	(c)	93¾	5.65	1.45
Chesapeake & Ohio conv. 5s, 1946	(b)	89¼	5.80	1.55
Cuba R. R. 1st 5s, 1952	(a)	86	6.00	2.45
Chicago & Eastern Illinois Gen. 5s, 1951	(c)	78½	6.70	f 1.15
Kansas City Southern Rfd. and Imp. 5s, 1950	(a)	85½	6.10	1.90
Missouri, Kansas & Texas Prior Lien 5s, 1962	(c)	77½	6.60	1.10
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931	(a)	103	6.00	1.50
Missouri Pacific 1st and Rfd. 6s, 1949	(b)	93	6.60	1.20
N. O. & N. E. Rfd. and Imp. 4½s, 1952	(a)	79¾	6.00	2.70
St. L. & S. F. Prior Lien 4s, 1950	(c)	67½	6.60	1.10
Western Pacific 1st 5s, 1946	(c)	80	6.70	2.30
Industrials:				
Anaconda Copper Mining Co. 1st 6s, 1953	(b)	97¼	6.25	g 1.25
Computing Tabulating & Recording 6s, 1941	(b)	98	6.20	5.50
Goodyear Tire & Rubber Co. 8s, 1941	(c)	116	6.50	5.80
B. F. Goodrich 1st 6½s, 1947	(b)	100	6.50	2.70
Hershey Chocolate Co. 6s, 1942	(b)	98	6.15	e 1.90
Sinclair First Lien and Col. 7s, 1937	(c)	97	7.35	2.95
South Porto Rico 1st Mtg. and Col. 7s, 1941	(b)	100	7.00	2.20
U. S. Rubber 5s, 1947	(c)	86	6.00	4.00
Wilson & Co. 1st 6s, 1941	(a)	96	6.35	1.35
Public Utilities:				
Amer. Water Works & Elect. Corp. Col. 5s, 1934	(c)	84¾	7.00	1.80
Dominion Power & Transmission 1st 5s, 1932	(a)	89	6.60	2.10
Denver Gas & Elec. 1st and Rfd. 5s, 1951	(c)	85	6.10	e 4.70
Havana Elec. Ry. Light & Power 5s, 1954	(a)	84	6.10	5.00
Northern States Power 5s, 1941	(b)	90	5.90	2.10
Pacific Gas & Elec. Genl. and Rfd. 5s, 1942	(a)	90½	5.80	2.05
Public Service Corporation of N. J. 5s, 1959	(a)	84	6.10	1.75
Utah Power & Light 5s, 1944	(a)	88	6.00	1.60
United Fuel Gas 6s, 1936	(b)	95½	6.60	5.85
SPECULATIVE (For Income and Profit)				
Railroads:				
Chicago Great Western 1st 4s, 1959	(a)	49	8.60	0.85
Erie Genl. Lien 4s, 1996	(b)	47½	8.50	1.31
Chicago, Milwaukee & St. Paul conv. 5s, 2014	(c)	64¼	7.80	1.02
Iowa Central 1st Mtg. 5s, 1938	(a)	68	8.90	0.80
Missouri Pacific Genl. Mtg. 4s, 1975	(b)	55	7.40	1.20
Missouri, Kansas & Texas Adj. Mtg. 5s, 1967	(c)	52	9.75	1.10
St. Louis & San Francisco Adj. Mtg. 6s, 1955	(c)	75¾	8.15	1.10
Rock Island, Ark. & Louisiana 1st 4½s, 1934	(c)	76¼	7.75	....
Southern Railway Genl. Mtg. 4s, 1956	(a)	68	6.25	1.40
Western Maryland 1st Mtg. 4s, 1952	(a)	61	7.20	1.20
Industrials:				
American Writing Paper Co. 6s, 1939	(a)	68	10.00	1.30
Cuba Cane Sugar 7s, 1930	(c)	88	9.30	1.80
Chile Copper Co. 6s, 1932	(b)	100	6.00	h 0.80
International Mercantile Marine 6s, 1941	(b)	79½	8.20	3.25
Virginia-Carolina Chemical 7s, 1947	(c)	82	8.80	1.20
Public Utilities:				
Chicago Railways 1st 5s, 1927	(a)	79½	12.40	1.08
Hudson & Manhattan Rfd. 5s, 1957	(c)	81¾	6.30	g 1.80
Interboro Rapid Transit 5s, 1966	(a)	64½	7.75	0.90
Third Avenue Railway Rfd. 4s, 1960	(b)	55½	7.60	i 1.35
Virginia Railway & Power 5s, 1934	(a)	84	7.10	1.90

* Principal and interest guaranteed by Dominion of Canada. † Callable in 1951. ‡ Callable in 1936. ¶ This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years. Includes government payments during period of government operations of railroads.

(a) Lowest denom., $1,000. (b) Lowest denom., $500. (c) Lowest denom., $100. (d) Lowest denom., $50.

e Average last three years. f 1922. g Average last four years. h Average last six years. i Does not include interest on adjustment bonds.

SLIGHT IMPROVEMENT IN BONDS

No Interest Exhibited, Although Sentiment Somewhat Better

THE bond market during the past two weeks continued to mark time, with very little interest manifested by investors. Bond offerings were small. There are a number in prospect which issuing houses are holding in abeyance awaiting better conditions, but, so far, reinvestment of interest payments generally following the July distributions has been conspicuous by its absence. The extent of the apathy among investors and the failure to display any real trend during the past three or four months is demonstrated by practically the same quotations at this time as those ruling earlier in the year for the securities listed in the high-grade division of the Bond Buyers' Guide; and, with a few exceptions, due to special conditions arising in individual situations, the same thing is practically true as to the middle-grade issues.

Middle-Grade Bonds

In this division, the Carolina Clinchfield & Ohio 5s were up a point and the Kansas City Southern 5s gained two points. Advances were also shown by the N. O. & N. E. 4½s and the St. L. & S. F. prior liens. Among the utilities, the Manhattan Railway 4s advanced 3½ points, recovering all the ground lost in the recent decline of the local traction securities. There was practically no change in the other utility issues and movements in the industrials were insignificant.

Speculative Issues More Active

As was naturally to be expected, the better feeling in the stock market found reflection in quotations for the speculative bonds and what activity took place centered in such issues as the Eries, St. Louis & San Francisco adjustment and income 6s, Missouri, Kansas & Texas adjustment 5s, Seaboard Air Line and other bonds of like character which had been under pressure in the undoing of the previous speculative interest. Recognition of the possibilities in the situation in connection with the good earning statements of these roads resulted in higher prices, especially the Erie and 'Frisco issues which still appear especially attractive for the patient holder. On the other hand, New Haven bonds continue to exhibit weakness.

Recoveries were also shown by the local traction bonds. The Third Avenue, Interborough and Rapid Transit issues regained their previous losses and there was a firm tone in other public utility securities, although business was extremely light.

Cerro de Pasco convertible 8s led the rise in the coppers. The sugar and fertilizer issues were steady, and Virginia-Carolina Chemical Co. 7s were quite strong, advancing to 82½, up 7½ points from the extreme low. International Mercantile Marine 6s likewise rallied to 80, up 5 points from the low. Transactions in the remainder of the list were without particular significance and price changes were narrow.

Railroads

The Huge Bulk of the Canadian Pacific

Widespread Ramification of a Railway Empire—The Properties Controlled and Investment Aspects of the Stock

By JOSEPH M. GOLDSMITH

LIKE most enterprises that have become highly successful, the Canadian Pacific did not enter upon its career in a blaze of glory. Its construction came about in response to the urgent need which Canada felt in the late Seventies, for a transportation system to connect the scattered settlements in British Columbia with the eastern provinces. The permanence of a strong political union largely depended upon the conquest of the geographic barriers which defied adequate communication between the various parts of the Dominion.

A Landmark in Canadian History

Work on the formidable project was started in 1881, and the completion of the task was expected to require a decade. The rapidity with which construction was pushed forward repeatedly exhausted the company's resources in spite of liberal aid from the government. Its stock, which in 1912 sold as high as 283, during the early years was virtually unsaleable at half its par value.

Notwithstanding these difficulties, the last spike uniting the Atlantic with the Pacific was driven in 1886, and the gigantic endeavor finished in half the anticipated time. The speed at which the bands of steel were stretched across the uninhabited prairies and mountainous regions of western Canada, is a lasting tribute to the aggressiveness and perseverance of the men in whose hands the fate of the enterprise rested. Its consummation represented a landmark in the spread of civilization over the northern half of the North American continent.

Railroad Lines

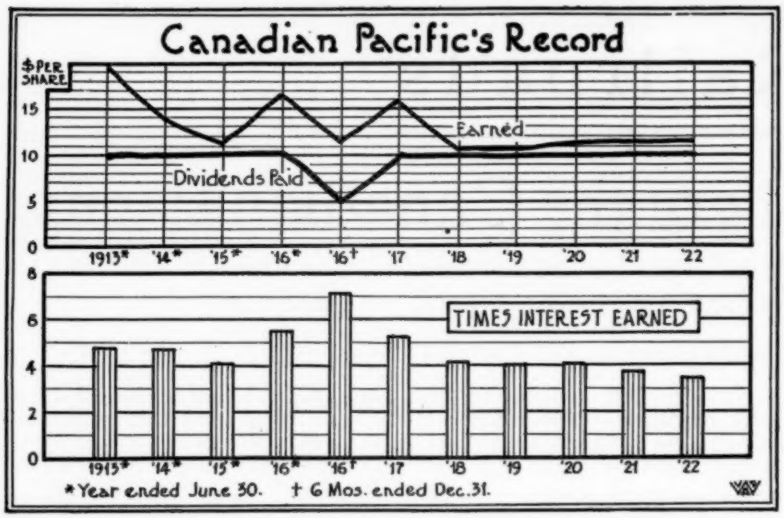
The mammoth Canadian Pacific system which we know today comprises almost 15,000 miles of road in Canada and 5,000 miles of controlled lines in the United States. Its trains run from St. John, New Brunswick, to Vancouver on the opposite side of the continent. Its closely woven network of branches in the wheat belt of Manitoba and Alberta furnishes the outlet for the enormous grain production of these provinces. By virtue of its controlling interest in the Minneapolis, St. Paul and Sault Ste. Marie Ry., it gains an entrance into Duluth, the Twin Cities and Chicago. Through its operating arrangement with the Michigan Central it possesses a direct route from the latter point to Montreal and Quebec on the St. Lawrence. In addition, it owns a majority of the stock of the Duluth, South Shore & Atlantic Ry. and controls the Mineral Range R. R. both located in the United States. Its mileage in this country equals that of many of our own large systems. **In point of size the Canadian Pacific overshadows every privately operated railroad in the world.**

Colonization Policy

The financial success of the Canadian Pacific can be attributed to the agricultural and industrial development which Canada has attained. On the other hand, no other organization is so largely responsible for the Dominion's growth as the Canadian Pacific. A clear realization that its own prosperity must parallel that of the country which it serves has made it a potent factor in Canada's upbuilding.

At the outset it traversed territory scarcely in-

Chateau Frontenac, Canadian Pacific's Quebec Hotel. The C. P. R. is spending three millions in enlarging this picturesque hostelry



habited, particularly along the western portion of its lines. To aid and accelerate its construction it received from the government vast grants of the public domain along its right of way. Its ability to sell these lands and obtain a remunerative traffic from them was solely dependent upon an influx of settlers.

It is therefore not surprising that from the very beginning the Canadian Pacific has assumed the task of inducing desirable immigrants to enter Canada. President Beatty recently expressed himself to the effect that immigration has been and must continue to be Canada's great salvation. The company has employed every means within its power to make possible the success of his farming operations once the newcomer has taken up an abode. It has spent large sums upon immigration projects, the most recent of which consisted of damming the Bow River at Bassano, Alberta, at a cost of $17,000,000.

With few exceptions the railroads in the United States confine themselves to rail transportation. The Southern Pacific has its boat lines and various roads are indirectly engaged in the mining of coal, but in only a limited number of cases have their operations extended far afield. The Canadian Pacific, on the other hand, has branched out into many kindred lines.

Its activities cover a scope paralleled by few companies. The position that it occupies in the Canadian transportation field is comparable to that which the Steel Corporation occupies in our industrial organization. The latter takes the coal and iron from the ground and puts them through the numerous stages of fabrication, ultimately producing the semi-finished product. The Canadian Pacific's sphere is almost as broad, for it represents a highly integrated unit. Its railroad lines, its steamships, its telegraph system, and chain of hotels supplement one another and all operate in conjunction. Everything is so coordinated that together they furnish one comprehensive service.

The high seas, coastal traffic lanes and Great Lakes are traversed by a large number of Canadian Pacific vessels. At the end of 1922 it had steamers aggregating 440,809 gross tons. It possesses the largest boats plying the Pacific and conducts regular service between Vancouver, Australia, the Orient and Alaska. On the Atlantic also are a number of steamships operated under Canadian Pacific management. During the two hundred odd days that the St. Lawrence River is normally open for navigation the eastern termini of the European route are Montreal and Quebec. Out of 176 boats that will depart from Montreal and Quebec this year 100 will be Canadian Pacific ships. This shows how large a proportion of the traffic its lines obtain.

The company can pick up a passenger in the Orient and through the various links in its chain expeditiously transport him to Europe. The same is true of a shipment of freight. All branches of its service work in unison and cooperate with machine-like precision.

The Canadian Pacific Railway operates a chain of hotels of the highest standard from the Algonquin at St. Andrews-by-the-Sea on the Atlantic to the Empress Hotel at Victoria, on the Pacific. Fifteen in number, they represent an investment in the neighborhood of twenty-five million dollars. In addition to providing transportation the company has assumed the task of establishing hotel accommodations at the various points of interest along its line.

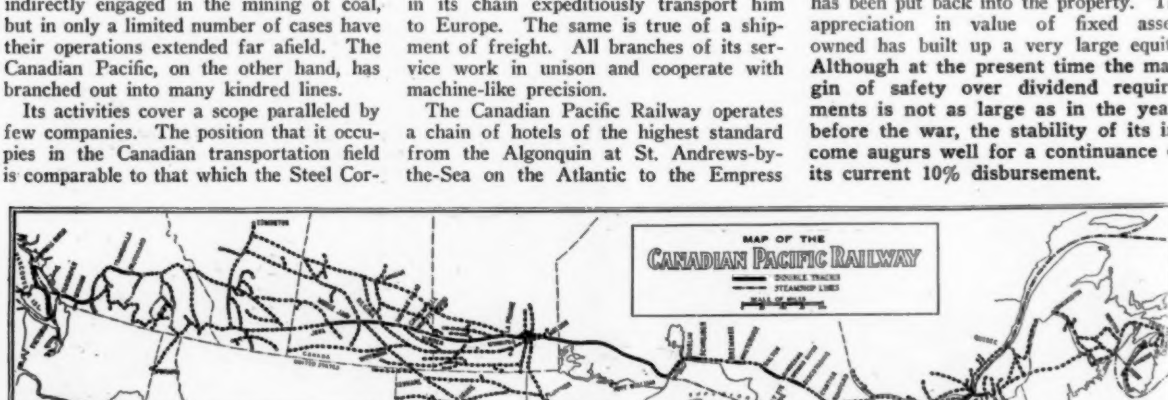
Telegraph lines 120,000 miles in length are operated by the Canadian Pacific. They not only transfer the company's own messages but also conduct a regular business with the general public.

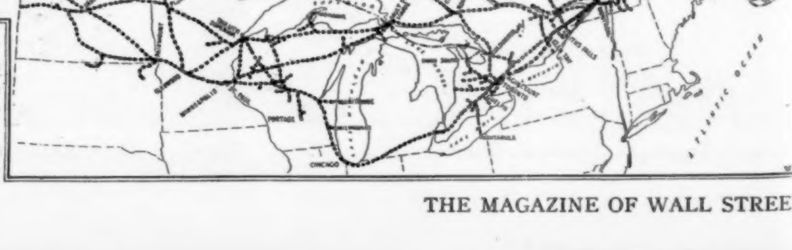
In its Angus shops at Montreal are built practically all the freight and passenger cars and locomotives which the road requires. Our own railroads purchase their rolling stock from equipment companies rather than undertake its construction themselves. This emphasizes the degree of integration which the Canadian Pacific has attained.

With the exception of the single year 1895, the Canadian Pacific has paid dividends in every year since 1882. This record bears witness to the excellent financial returns in which its varied operations have resulted. In 1911, its stock was placed upon a 10% basis and payments at this uniform rate have since been maintained. In spite of the difficult operating conditions encountered during the war and the period of readjustment which followed, the company has earned the full dividend in every year.

The railroad properties are expected to earn 7% upon the capital stock, while the remaining 3% is derived from the miscellaneous operations in which the Canadian Pacific is engaged. Its bonded debt, most of which is in the form of 4% perpetual debentures, is very small in proportion to earning power. Consequently about three-quarters of gross income is applicable to the stock.

The dividend policy has been exceedingly liberal. Its stockholders have benefited to the full extent that its earnings permitted. Nevertheless, in spite of the high rate now being paid, about $130,000,000 of surplus revenue from operations has been put back into the property. The appreciation in value of fixed assets owned has built up a very large equity. **Although at the present time the margin of safety over dividend requirements is not as large as in the years before the war, the stability of its income augurs well for a continuance of its current 10% disbursement.**





For Pointers On Railroad Stocks Read This Article:

The Year's Leading Earners Among the Railroads

A Brilliant Railroad Record—Prospects for Earnings in 1923

By A. T. MILLER

DURING the first five months of 1923, and from early indications of June earnings, the carriers have hung up a record for earnings that has never before been equalled in this country. For this, the enormous flood of rail traffic culminating during the six month period in continued shattering of American records is responsible. Even roads in receivership and near receivership have profited, so that in some cases there have been rather grotesque results. For example, Chicago & Alton, a road in receivership, based on the first five months, would earn during the year $2.50 a share, an amount in excess of the current value of the common stocks, certainly an unusual situation. Other roads have benefited proportionately so that in many cases, companies are earning 50, 60 and 75% on the current market price of their junior stocks.

Can They Continue?

Obviously, such results cannot be expected to continue indefinitely. Aside from the fact that some of the roads showing high earnings at the present time have not yet charged off adequate amounts for maintenance which obviously minimizes the importance of the earnings now shown, there is the general feature pertaining to most roads, namely that traffic currently is on an abnormal basis and must be expected to shrink. This, of course, would result in reducing the amount of earnings, as indicated in the accompanying table.

LEADING EARNERS AMONG THE RAILROADS

Name	Earnings*	Annual Dividend Rate	Recent Price of Stock	% Earned on Market Price
Atchison	$16.20	$6	$99	16.5
Atlantic Coast...	20.40	7	113	18.0
Balt. & Ohio....	18.60	..	46	40.4‡
Ches. & Ohio....	16.10	4	59	27.2
Chi. & Alton....	2.50	..	2	125.0‡
Chi. & Eastern Ill.	7.00	..	26	26.9‡
Del. & Hudson...	17.40	9	105	16.5
Erie	6.00	..	11	54.5
Ill. Central	18.45	7	108	17.0
Kans. City South.	7.00	..	17	41.5‡
Lou. & Nash....	14.25	5	91	15.6
N. Y. Central....	21.40	7	98	21.8
Pennsylvania	7.60	4	44	17.2
Pere Marquette..	10.00	4	42	23.8
Reading	15.00	4	71	21.1
'Frisco	12.85	..	18	71.4‡
St. Louis Southw..	10.45	..	29	36.0
Southern Rwy. ..	11.75	..	32	36.6
Tol. St. L. & W..	26.00	..	36	72.2
Wabash	5.30	..	9	59.0‡
Wheel. & L. Erie	7.00	..	12	58.3†‡

* Per share, based on 1st 5 mos. of operation in 1923.

† Preferred stock, all others common stock.

‡ Earnings in excess of normal.

This table requires special explanation. In the second column appears a record of earnings as based on the results for the first five months of operation. These earnings have been weighted to conform with reasonable expectations of fluctuations during the year. They therefore merely serve as a guide to what may be expected with regard to earnings for the full year. In many cases, the earnings as shown will be modified downward sharply. This will be due to added charges for maintenance and, falling off in traffic, as a result of seasonal considerations. To this, too, must be added the possibility of unexpected expenditures arising from winter weather operations and other possibilities, such as strikes, increases of wages, cost of material, etc.

Nevertheless, despite these possibilities, the year has proceeded sufficiently to indicate roughly what the earnings of the leading carriers will be in 1923. In the event that nothing of a serious nature occurs, such as a major strike, for example, the earnings as indicated on this table will be probably found to exceed the actual earnings, when the year is ended, by only 20 to 30%, depending on the individual road. For example, Baltimore & Ohio is now showing indicated earnings of something like $18 a share, for the full year. Allowing for possible reduction of traffic and heavy maintenance charges, reducing the full amount by, say, 30% from present figures, this would leave a balance of, roughly, $12 a share. Other roads may be expected to fare in somewhat the same fashion. But, it will be noticed, even on the basis of lower earnings possibilities, the roads will be found to be earning very large percentages on the present market price of their stocks.

Percentage Earned to Market Price

The index of percentage earned to market price, shown on the fourth column of the table, therefore, is important insofar as it indicates the relative attractiveness of the prices at which the stocks in question are selling. The figures shown on such stocks as Chicago & Alton, Wheeling & Lake Erie, 'Frisco, Chicago & Eastern Illinois and Baltimore & Ohio should be discounted to a certain extent, as these roads will undoubtedly be unable to continue to earn at the current rate. Nevertheless, they are not likely to shrink to such a material extent as to throw out completely the calculations as indicated. Other roads, on the other hand, such as Atchison, Atlantic Coast Line, Chesapeake & Ohio, Pere Marquette, and Southern Railway are probably now earning at the rate which will be shown for the entire year. In other words, their earnings are not so far above normal capacity as to warrant a material discounting of the figures shown.

A Special Case

Erie represents a special case. Here we have an instance of a slow but steady upbuilding of a fine railway system with the fruits of careful management just beginning to show themselves. While it is unlikely that Erie will earn anything like the figures actually indicated for the first five months of the year, the road nevertheless may be expected to earn a fair balance on the common stock, in itself no small achievement considering what the road has had to contend with during the past.

In conclusion, it may be fairly stated that the net results of railroad earnings for most of the roads should be highly satisfactory during the coming year. Probably the best opportunities among railroad issues are to be found in the list presented in the accompanying table.

It should not be inferred from this that all the carriers are reporting satisfactory earnings. This is particularly not the case among the northwestern roads that are still handicapped by the low price of wheat on which they are especially dependent. There are also a number of other individual roads that are doing poorly. On the other hand, it may be fairly said that the carriers, as a whole, have done surprisingly well thus far this year.

Money, Credit and Business

Less Active Period of Production

Investors Awaiting More Definite Indications of Future

RECESSION of forward orders for steel and other basic products has not been accompanied by any corresponding reduction of output, either in basic industries or in production at large. A decrease in confidence as to the future, and a corresponding decline of disposition to buy has undoubtedly been observed. This, however, is the outgrowth of many factors tending to cast doubt on the developments of the summer and autumn.

It does not alter the fact that, with midsummer here, there is a large and well-sustained volume of manufacturing, active demand, and good returns, as well as large employment requirements.

Study of business prospects points to a good outlook for the autumn season, provided political attacks upon trade and capital can be avoided, and provided also that disturbing foreign influences do not exert too great a force. There is, if anything, a better movement of traffic than heretofore over the railroads, while demand for goods by consumers has been particularly well sustained, despite usual seasonal declines in various sections.

Production and Trade

Railroad car loadings running above 1,000,000 tons per week affect the large volume of heavy freight that is moving. Coal continues to be mined and distributed at maximum level, due to the desire of consumers to protect themselves against possible shortage for the autumn and winter.

In spite of seasonal inactivity or "closing down" in some branches of the textile trades, cotton consumption at many centers continues large. The output of petroleum is far in excess of normal, tending toward overproduction. Building materials are being produced and distributed in large volume. Crop output gives promise of being well up to or above normal in nearly all agricultural lines; and the government forecasts for the opening of July show an estimated value of farm output of $1,000,000,000 in excess of last year's. Production of automobiles, and of other "luxury articles" keeps at a high level, the latest automobile production index showing 150% of "normal." Flour, sugar, and similar food products are being turned out and sold in unusually large volume, both as compared with recent months and former seasons. Comparatively little accumulation or "overproduction" is, however, indicated.

Notwithstanding the large and well-distributed demand for many classes of goods now to be noted, there is little indication of further upward movement of commodity prices. The practical standstill to which price indexes had been brought by the opening of June has continued during recent weeks. Declines in agricultural prices have, of late, tended to move indexes downward and it seems probable that the July index will show a moderate average recession. The decline is not, however, sufficiently general or severe to have any important bearing upon production; and business continues to be conducted, to all intents and purposes, upon a stable average price basis.

The failure of prices to maintain their upward climb has gone far to restrict the further growth of inflation. This has been the saving factor in a number of lines in which duplication of orders, or "over-ordering" with a view to resale was beginning to get a somewhat dangerous foothold. The greater caution of the banks as to loans on unsold goods, and the falling off of European demand for American products (partly due to unwillingness in this country to finance movements of goods abroad) have both operated to restrict inflationary growth of price levels.

Foreign Trade Unbalanced

Foreign trade is thus exercising a very direct and important influence upon domestic conditions, not only through its relation to output and sale of commodities, but through its effect on prices. The status of our trade balance is now unusually interesting, especially in comparison with last year, and may be summarized as follows (in millions) for the first 6 months (ending June 30):

	1921	1922	6 mos. 1923
Foreign securities sold here	$695	$876	$180
Net imports (gold and silver)	679	246	109
Excess goods imports	...	...	137
Total foreign credits	$1,374	$1,122	$426
Excess goods exports	1,976	719	...
Foreign balances in the U. S.	$—602	$+403	$+426

This makes it clear that our debt to foreign countries (their credits with us) is larger for the first six months of 1923 than it was for the entire year 1922. During June, however, the merchandise balance against us, which had been considerable for the three months preceding, was turned into a small balance in our favor amounting to about $1,000,000 while at the same time we imported some $18,000,000 (net) in gold. This change in the situation has been represented in some quarters as a "restoration" of our favorable balance of trade.

As yet, there is no evidence to show that this movement is more than a temporary or seasonal backward swing, especially as the Department of Agriculture forecasts quite definitely a less favorable autumn season in food shipments to foreign countries. The trend of our "excess exports" line on the chart shows that we are now apparently moving to lower relative levels; and other computations show exports tending to fall below "normal" while imports tend to exceed "normal."

Money and Credit

In these circumstances, the trend of money values is of exceptional interest and significance. Charges for funds, while showing no exceptional drift toward higher levels, have continued substantial, and their evident tendency is moderately upward. The usual demand for money at the mid-year interest and dividend period advanced call time rates as it always does, although in no exaggerated degree. Since the opening of July, while, as in former seasons, some reaction has occurred, it has been so slight as to show quite clearly an underlying tendency toward higher charges. This is naturally to be expected in view of the gradual growth of demand for autumn crop-moving funds. Such demand has hitherto affected the Reserve banks only very moderately, the enlargement in their bill portfolios being sporadic and far from steady. It is still true that, to some extent, increasing calls for funds in the agricultural regions are being satisfied by the use of money released in the investment and speculative field. Although the tendency of rates is clearly upward, there are thus various factors which tend to obstruct or limit the movement; and, in the absence of a much larger shipment of gold to foreign countries than is apparently in sight, it is likely to be slow and moderate. On the other hand, a continuation of our adverse balance of trade, followed by outflow of gold, would doubtless bring a sharp upward movement of commercial rates. As for immediate changes in the rates at Reserve banks, they have apparently been entirely laid on the shelf pending the arrival of new developments. Lowered activity in bank deposit transfers is shown by the diagram herewith, and reflects a somewhat smaller volume of business at the midsummer season.

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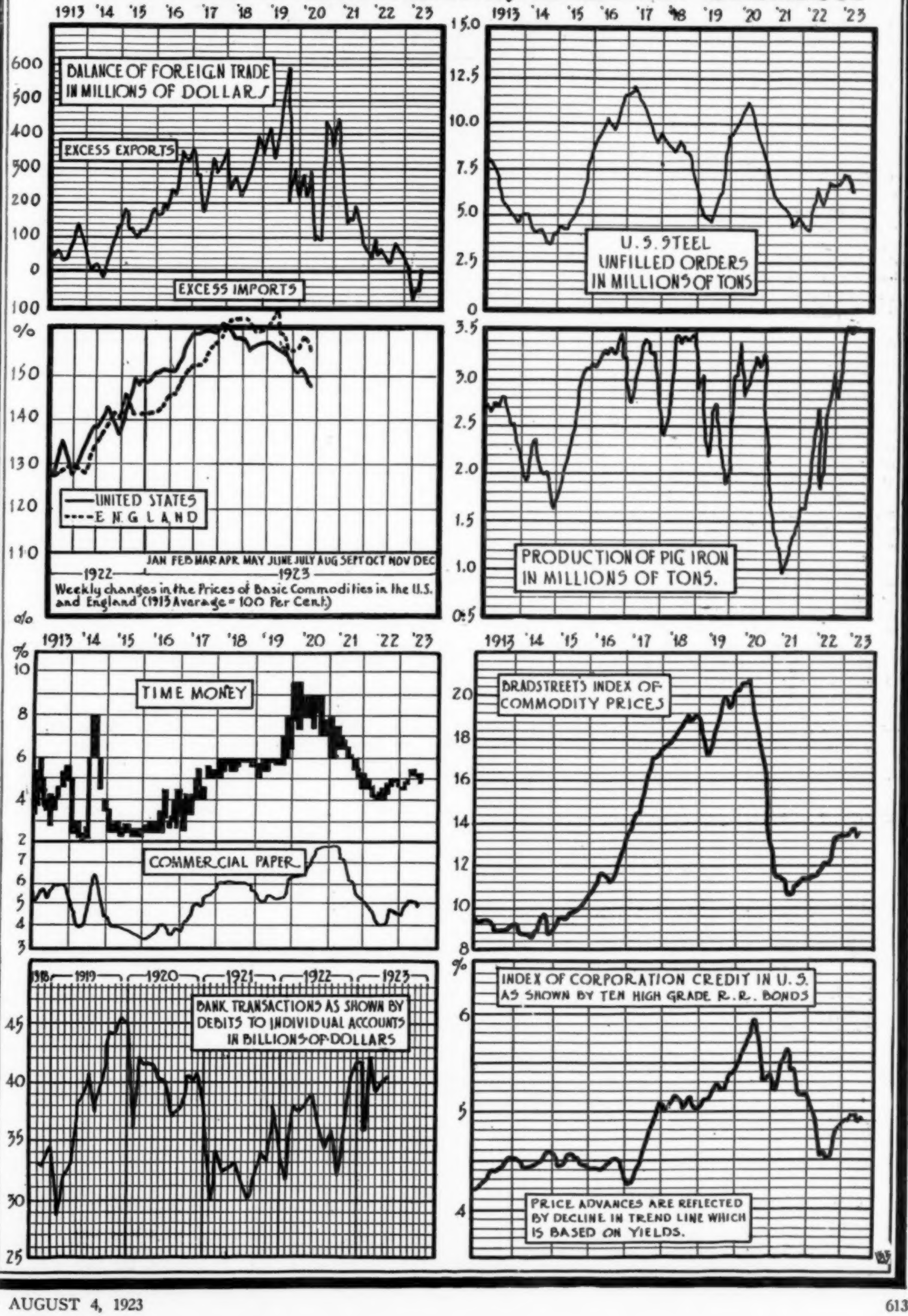
THE TREND OF MANUFACTURE, TRADE AND COMMERCE



Which Are the Strong Industries Today?

Live Food for Thought for Investors

By EDWARD B. MOREHOUSE

SCIENTIFIC investors who make a practice of sizing up the industrial situation and outlook before making any stock-market commitments are in a peculiar quandary just now. There is neither a well-defined boom nor a well-defined depression, and a wholesale appraisal of business reveals only a multitude of conflicting factors whose combination yields no clear-cut indications. Following the usual barometers, the observer notes that steel and iron output is going down, but, on the other hand, railroad car loadings have made a new high record; business failures are decreasing in number and amount involved, but prices are heading consistently downward, and so on.

Under these circumstances, it would seem to be the part of wisdom to forego the attempt to analyze the entire business situation at a gulp, so to speak, and instead to turn the spotlight on the various industries, one by one, particularly those represented on the New York Stock Exchange. The disparity between the different industries revealed by this method is interesting. While some have passed their peak and should start downward more or less rapidly, others show underlying strength and should continue to do an increasing volume of business in the remaining months of the year almost irrespective of the fluctuations of the general level of activity.

This disparity becomes especially interesting when the outlook for any specific industries is compared with the market action of the group of stock representing it on the Stock Exchange. In at least one case, an industry whose prospects are among the brightest, has had the most violent setbacks marketwise; in another, the industrial outlook is good but has been overdiscounted by the market.

Experienced investors know, of course, that a favorable outlook for a whole industry does not necessarily mean a buying recommendation for every stock in it. There is no way of dispensing with the individual's judgment of security values. This much can be said, however, that if we are right on the industry, we cannot go far wrong on any stock representing it, and if, in addition to choosing the right industry we choose the right stock, and defer our purchases till the right time, we have the maximum of chances for making money.

This article will not carry the process as far as that; it aims merely to lay the foundation for some future successful investments by pointing out what industries are in good fundamental position.

The Paper Outlook A very high place among these, from the investor's point of view, should be given to the paper industry. Paper prices have been fairly stable all through this year at a level about twice the pre-war, and well above the average increase in prices. Since 1919, paper prices have been higher, relatively to other commodities, pointing to an increasing scarcity of raw material and higher costs. In spite of this, production has been increasing slowly all through the year, and stocks have been going down, pointing to an increased consumption.

Paper authorities declare that the flow of fall orders to the mills will begin a month earlier this year than usual, around September 1. In spite of the traditional summer dullness, fine paper mills are said to be running at 85% of capacity, while some lines are operating at full 100%.

The underlying strength of the industry is partly due to the advancing exhaustion of our pulpwood resources, while Canada is showing a desire to restrict pulpwood exports to this country. Should these measures be enforced, wood or semi-finished pulp would have to be imported from Canada or from foreign countries, which would tend to keep the market cost on a permanently higher basis. Under these circumstances, domestic paper companies which are able to control pulpwood or pulp plants would benefit by the increased profit margins, while the trade as a whole would benefit by the higher prices.

In view of these facts, it is strange that paper stocks as a group, with one exception, have made the poorest showing of any in the market. At a recent date, they were selling on the average nearly 8% below the lowest prices reached in the depression of 1921. It may be believed, therefore, that some unusual long-pull investment opportunities will be found in this group.

Chain-Store Stability The ability of the chain stores, as a group, to maintain their volume of sales at a high level and even to increase it in the recent months, while mail-order business was going down, is a significant indication of the stability of this type of business. This is further indicated by the resistance to depression which the business of these firms showed during 1921.

Failure to realize these facts brought the prices of chain-store stocks to an unwarrantedly low level during 1921, from which the reaction was sharp and extensive, while the losses sustained during the break in stock prices this year have been relatively insignificant.

Chain stores have been favored this year by a number of operating factors, in addition to the continued high rate of sales. A large proportion of their imported goods, owing to the fluctuations with generally falling tendency of foreign exchange, have been unusually cheap this year, while domestic prices have been rising. In addition, the long trend favors

BUILDING CONTRACTS STILL HIGH

(In 27 States, by Millions of Dollars)

	1920	1921	1922	1923
January	226.1	111.6	166.3	217.6
February	205.3	102.4	172.9	229.9
March	302.2	163.8	293.4	333.5
April	304.9	221.3	353.0	357.5
May	264.9	240.9	361.8	374.4
June	260.1	236.2	342.4	323.6
July	204.5	212.2	450.1	.....
August	202.7	220.4	332.0	.....
September	182.2	244.5	271.5	.....
October	178.6	222.4	253.1	.....
November	132.9	190.8	244.4	.....
December	100.1	198.5	215.2	.....

SALES OF ELECTRIC POWER

(In Millions of Kilowatt Hours, Daily Average)

	1920	1921	1922	1923
January	114.7	114.2	112.9	153.3
February	119.8	113.4	123.9	154.4
March	120.7	109.6	123.3	152.5
April	119.1	108.0	120.0	149.1
May	115.6	105.3	123.4	149.4
June	118.8	108.1	127.9	.....
July	116.8	105.5	124.9	.....
August	119.7	110.0	131.4	.....
September	120.8	112.5	135.0	.....
October	120.7	115.4	139.8	.....
November	123.2	121.3	147.0	.....
December	121.0	123.2	147.6	.....

CHAIN-STORE SALES

(Four "Variety" Stores, in Millions of Dollars)

	1920	1921	1922	1923
January	14,059	14,227	15,720	19,625
February	13,596	15,405	16,749	19,460
March	16,535	20,133	19,677	......
April	18,338	18,589	22,429	......
May	18,656	18,572	21,540	......
June	18,344	18,272	21,104	......
July	18,582	17,956	21,001	......
August	18,488	19,213	21,676	......
September	18,444	18,856	22,621	......
October	21,645	23,578	26,026	......
November	20,763	21,813	25,314	......
December	36,037	40,052	46,415	......

companies of this type, as they gradually extend their field of operation by handling a greater variety of merchandise and by giving more efficient service.

In the event of a general depression of business these companies would lose little, as their loss of regular clientele would be counterbalanced by purchases from those who in normal times would prefer to buy elsewhere, according to the experience of the past. The necessity of carrying a large inventory constantly on hand is a weak feature of this business, but the recent tendency has been to develop methods of increasing turnover and carrying smaller inventories as the price advance was accelerated, so that no danger is feared from this source.

For the investor, however, it is an open question if these stocks, as a group, have not discounted these favorable developments by their well-maintained advance, and, barring special opportunities, it is hardly probable that the industry holds out much for him.

Tobacco Companies Prospering The tobacco business in general is enjoying an increasing demand in practically all branches, cigarettes showing the highest rate of improvement, while snuff consumption has been showing a declining tendency for a long time. Demand for cigars continues high, and an index of the prosperity of the nation is the fact that the buying is still tending to concentrate on the best quality cigars. Production has been cut to 65% of capacity in view of the normal seasonal decline, but sales are above those of recent summers and the seasonal falling-off has been less than usual.

Tobacco growers have just finished an unusually successful year, a tobacco crop well in excess of normal having been marketed at very satisfactory prices, though below the maximum of 1920. The newer methods of marketing by cooperative associations in pools have proven eminently efficient, in securing good prices and easy financing for the grower.

The new crop has gotten off to a bad start because of unfavorable weather conditions and delayed plantings, although a somewhat increased acreage is anticipated because of the boll-weevil danger to cotton growers. It would therefore not be surprising to the trade if somewhat higher prices for the leaf were made on the new crop. In view of the large inventories of leaf which the tobacco companies are obliged to carry because of the nature of the trade, such a development would be highly favorable.

Stocks of finished tobacco products in the hands of manufacturers are light with a tendency to go still lower, while dealers' stocks are moderate. On the whole, the outlook is very favorable, and the industry is not apt to suffer from decreased consumption even should prosperity decline, because of the fact that smoking is apt to be a deep-seated physiological habit and the total cost in the individual's budget is small.

These stocks have not had any unduly large advance, as a group, from the 1921 lows and have held their position well in the recent market depression.

World Peace in the Building The announcement by the U. S. Realty & Improvement Co. that it was again in the market for new business has set the seal on the return of peace to the building industry, although admittedly an unsatisfactory peace in view of the continuing high level of building costs. The customers of the great construction industry, however, appear to have reconciled themselves to the situation, and a large volume of new business is pouring in on construction firms, while the setback in new building permits noted in June may be offset by the recent reawakening of building. All in all, the industry is on a highly profitable basis of volume business, and the arrangements of most of the companies with their clients is such that possible increases in building costs can be passed on to the latter, while declines in the prices of building materials, which in other industries would mean a depreciation of inventories, are avoided by buying materials only for specific jobs, orders for which are already in hand.

The newer tendency in the trade is the increasing proportion of construction of business buildings and institutions as against small residences, a factor which not only tends to increase the volume of business but also to increase profit per job. Actual construction has been of record proportions, and the revival of new orders will tend to continue the period of prosperity in the trade. In spite of the heavy production of building materials, the demand has been so heavy as to deplete stocks to a lower level than that prevailing last year, while prices have been falling only recently and to a very small extent.

This extremely favorable outlook has been only in part discounted by price advances of representative securities, which have been fairly well maintained in the face of general market weakness.

Electrical Equipment Booming The reasons for the growth of the electrical equipment business are best shown by the accompanying figures showing the production of electric power, which is now running at record levels, with due allowance for the sharp seasonal decline in the summer months which characterizes this industry. Another interesting feature is the comparatively small degree of response to periods

(Please turn to page 677)

PAPER PRODUCTION STIMULATED

(Tons, All Grades)

	1920	1921	1922	1923
January	650,293	420,468	506,195	664,553
February	564,500	407,966	501,817	614,364
March	641,343	440,777	593,860	*
April	634,402	422,012	528,461	605,490
May	645,413	353,995	589,971	659,025
June	657,322	403,657	593,335	....
July	658,518	370,429	552,914	....
August	654,158	442,519	635,107	....
September	643,018	447,926	623,088	....
October	621,964	542,408	644,267	....
November	518,144	535,876	641,544	....
December	445,539	508,284	607,241	....

* Figures not available.

FLUCTUATIONS IN TOBACCO EXPORTS

(In Millions of Pounds)

	1920	1921	1922	1923
January	46.76	46.85	32.27	41.65
February	39.76	41.73	25.85	25.98
March	45.41	45.45	32.97	31.64
April	42.39	43.32	40.10	40.19
May	33.30	40.22	38.84	28.42
June	28.00	47.33	29.99	.....
July	42.07	53.16	32.32	.....
August	41.24	52.81	28.96	.....
September	37.26	33.01	33.10	.....
October	39.39	43.47	58.35	.....
November	26.63	28.24	39.79	.....
December	45.39	38.77	36.96	.....

Industrials

How Six Staff-Writers Answered the Question—

What Stocks Would You Buy Today?

Interesting Reasons Advanced for Selections Made—Not a Single Railroad Stock in the List —Five Commons Chosen Against One Preferred

SIX members of the staff of THE MAGAZINE OF WALL STREET were asked to name the security each one favored above all others, and to set the reasons for their preference down on paper.

No restrictions of any sort were imposed on the six analysts. They could choose any stock, representing a company in any industry and dealt in on any market. Nor were the analysts required to base their selections upon any set rules. Their reasons for making their particular selections were to be their own, individual reasons, uninfluenced in any way.

THE SELECTIONS

Company	Stock	Recent Price*	Div. Rate	Yield
American Water Works & Electric........	1st Pfd.	90	$7	7.77%
Brooklyn Edison Co...	Common	106	8	7.50
Borden Company	"	118	8	6.75
Westinghouse Elec. & Mfg. Co.	"	55	4	7.20
Mack Trucks, Inc....	"	72	4	5.50
Consolidated Gas (N. Y.)	"	61	5	8.20

*Prices quoted are those prevailing at time of writing. Any subsequent changes should be taken into consideration.

The analysts were given this free scope in the belief that the resulting recommendations would be of rather unique investment interest. An individual opinion, individually conceived and expressed, it was thought, would contain, if nothing else, more of the element of personality than a group-opinion.

The results, shown in the analyses which immediately follow, possess all the interest it was hoped they would possess. And they suggest some very practical considerations.

It is noteworthy, for example, that with one possible exception, the issues are all comparatively conservative investments of long standing. Two of the writers go out of their way to explain this conservatism. They point out that, while the present is not necessarily regarded as discouraging, investment-wise, it is nevertheless a time for comparative caution.

Another noteworthy feature, to us, about the selections made is the absence of railroad stocks. Three public utilities and three industrial-manufacturing companies comprise the list. Those who have wondered at the comparative apathy of railroad securities in recent sessions may find further cause for surprise in the absence of rail issues in the selections made here.

Another feature of the selections made is the emphasis they supply to what we all have known right along, but may not have given much thought to: That is, the really good yields which can be had from investments in high-grade securities at present prices.

To afford the reader a means of comparing the selections made, a large graph is attached, upon which the per share earnings and dividends of each company covered is shown. Since these items all appear on the one scale, an exact comparison is made possible.

Why each writer made the choice he did make is shown in the separate analysis; but no significance attaches to the order in which the analyses are presented here.

American Water Works & Electric

First Preferred Favored as Representing the Best in the Utility World

By M. L. G.

THE temperament of the individual is an important factor in buying stocks. Some desire safety of principal and are willing to accept a lower return to secure it. Others, with more of the gambling spirit in their make-up, want a stock that will show the largest possibility of price appreciation, regardless of dividend return, and often also of the risk involved. In my case, I prefer one that has elements of both price appreciation and yields a satisfactory return, with a weather eye open for comparative stability.

The first point to determine is the industry in which I desire to place my money. Railroads are, of course, essential. They are now showing large earnings, but they have enjoyed good earnings in the past at certain periods and the investor has found he has been building on sand. The very importance of the transportation

arteries has led to innumerable demands on their treasuries by shippers, the traveling public, politicians and equipment and facility requirements, to say nothing of labor. Changing conditions of modern life have also increased competition and the outline of the motor truck is not the only shadow on the till.

In the industrial division, we have had a boom, which advanced prices above those existing in normal periods, and the immediate future is somewhat uncertain. If industrial conditions do not justify maintenance of stocks at present levels, large losses are possible.

This leaves the public utility field. Public utilities are also subject to regulation by authorities, but not to the same extent as the railroads. The individual charge is comparatively small as contrasted with the amount generally paid by the user of steam transportation and service. Consequently there is not so much public clamor concerning earnings. Electric light, power, gas, street railway and interurban transportation are essential. The Supreme Court has also decided that rates must be predicated on values of properties as a going concern. For these reasons, I prefer the utilities.

Now, as to the best medium offering in that field from the standpoint of stability, price appreciation and return. In looking over the list of stocks, I would choose the American Water Works & Electric Corporation's first preferred shares. Apparently the present management of the properties are not exponents of the theories of high finance along unsafe lines, with numerous irons of a dissimilar nature in the fire, as practiced by the old American Water Works & Guaranty Company. They seem to be attending strictly to their business, which is furnishing public utility facilities in the territories served by the company. This consists of operating through subsidiaries the water works systems in 26 cities; providing electric light, power and traction facilities in growing sections of Maryland, Virginia, West Virginia, important portions of the Pittsburgh District and in several small New Jersey communities.

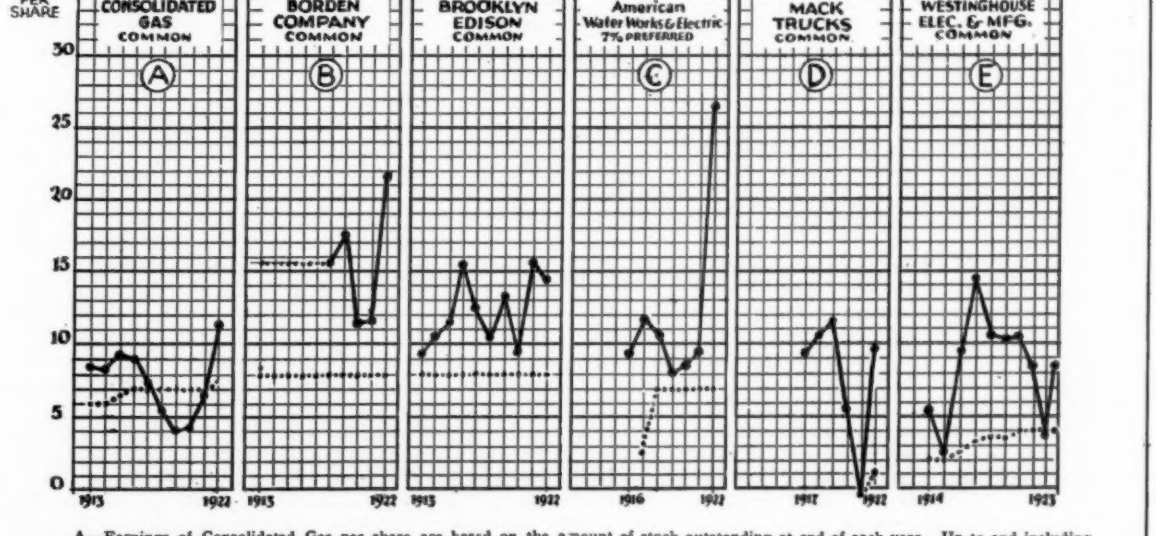
The only securities ahead of the first preferred are $14,669,700 collateral 5s, due in 1934. Stock capitalization at present outstanding consists of $8,650,000 7% cumulative first preferred; $10,000,000 6% participating preferred, now on a 4% basis, and $9,200,000 common. Below is given the income record since 1916:

	Net earnings*	Div. payments*	Earned per share	Paid per share
1916	$509	....	$ 9.30	
1917	648	$136	11.90	$2.5
1918	585	381	10.70	7.
1919	435	381	8.00	7.
1920	488	381	8.90	7.
1921	516	381	9.50	7.
1922	1,455	‡465	§26.70	7.
†1923	2,495	‡605	§34.82	7.

* In thousands of dollars.
† Year ended May 31.
‡ Estimated.
§ Average amount of stock outstanding.

The earning record shows that for the twelve months ended June 30, 1916, income available for dividends amounted to $509,134. For the year ended May 31, 1923, this figure stood at $2,495,209. The only change

Comparative Records of Six Selected Securities
Comparing Earnings Per Share with Dividends Paid



A—Earnings of Consolidated Gas per share are based on the amount of stock outstanding at end of each year. Up to and including 1917, capital stock outstanding was 99.8 millions. In 1918 stock was increased to 100 millions, and in 1922 to 149.1 millions.

B—Earnings per share of Borden Company for years 1913-1918, inclusive, not available. It has been officially stated, however, that during this period an average was earned of $15.90 per share.

C—Earnings per share of American Water Works 7% preferred in 1922 figured on basis of increased amount of stock outstanding.

D—Mack Trucks, in 1921, sustained a deficit of $3.56 per share. Present dividend rate of $4 per share, and current earnings, based on first half of 1923, at rate of $12 per share, should be considered in connection with its comparative showing on the chart.

E—As the fiscal year of the Westinghouse Elec. & Mfg. Co. ends on March 31st, earnings and dividends for 1923 are shown here.

in capitalization during this period was the issuance of $1,200,000 first preferred in 1922, and another $2,000,000 in the Spring of 1923, for the acquisition of new properties.

Dividend requirements on the present outstanding first preferred total $577,500, so, as shown above, earnings are running at a rate over four times dividend needs. There seems to be no warrant for uneasiness as to security of dividends. If the company is able to continue showing such favorable earnings, it is not unreasonable to anticipate that, in good markets, the stock will sell at or above par. The high rate of earnings and return preclude any disastrous slump in market price. If sold at par, there would be a profit of twelve points, or $1,200 on one hundred shares. In the meantime, the return is almost 8% on the investment.

This is the stock I would buy. Here is a first preferred issue of a public utility holding company, preceded by less than 15 millions of bonds, on which dividends have been paid for six years and which is earning around $35 a share. **Certainly with such earnings, and nothing on the horizon to indicate any serious curtailment, the security is ample for the small risk involved, the return satisfactory and there is every reason to expect an opportunity to ultimately sell at a substantial profit. What more can a reasonable mortal ask?**

Westinghouse Electric & Mfg. Co.

Common Stock Considered Promising Due to Strong Position of the Company

By F. K.

IN selecting a stock for purchase at the present time, my main consideration is the degree of risk. While I am an optimist on business conditions in this country, there are many uncertainties in the situation and I prefer the stock of a company that should be able to do well even if the present wave of prosperity recedes somewhat. Financial strength, sustained earning power, future possibilities, management and return on the investment are the important considerations, and the stock which most fully meets these requirements, in my opinion, is Westinghouse Electric & Manufacturing common.

As of March 31, 1923, Westinghouse Electric reported a working capital of over 90 million dollars, with ratio of current assets to current liabilities approximately 6½ to 1. Despite this strong financial condition, the company in April of this year offered 15 millions additional common stock to stockholders at $53 a share, bringing working capital up to about 105 millions. This large working capital should enable this company to easily finance its business with operations at capacity. Westinghouse is apparently financed for years to come and in a position to pay out the larger portion of its profits in dividends to shareholders.

For the past ten years, earnings have averaged $8.28 a share on the capital stock outstanding. Even in the depression of 1921, when severe losses had to be taken on account of inventory depreciation, Westinghouse very nearly earned its $4 dividend. It has, therefore, satisfactorily demonstrated a good earning power in both good and bad times.

Few industries would appear to have a more definitely assured future than the manufacture of electrical equipment. Advantages to be gained by the public through hydro-electric developments are fully realized and there is every reason for the belief that there will be great activity along these lines. In addition, the outlook is excellent for continued activity in steam railroad electrification, industrial electric manufacturing processes and in the radio equipment field, all of which will stimulate business in the company's various manufacturing lines.

Westinghouse Electric management has shown itself to be efficient and conservative. For the ten years ended March 31, 1923, earnings averaged $8.28 a share and average payments to stockholders were only $3.32 a share. In these ten years, approximately $50 a share has been added to the assets of the company from earnings. A purchaser of the stock at present prices at 55, therefore, is well assured that he is buying good value. Book value of the common stock as of March 31, 1923, excluding any value for patents, charters and franchises, was equal to $81 a share, and it is well known that the company carries property and plant at soundly depreciated values.

At present levels of 55, the stock gives a return of 7.2%, which is attractive for a security whose dividend is so well fortified and which offers excellent possibilities of higher dividends in years to come with a resultant appreciation in the value of the principal.

The Borden Company

Common Shares Held to Be Attractively Low at Present Prices

By R. R.

IN periods of uncertainty in things financial, the wise course, obviously enough, is to discriminate against securities of doubtful value representing companies of irregular record, and discriminate in favor of the opposite sort.

Such a course is especially wise when a security "of the opposite sort" can be found which, beside all its investment qualifications, happens also to be available at a low price from a market point of view.

That the common stock of the Borden Company seems to meet these qualifications in every way is the writer's reason for considering this issue about the most attractive one, to him, at the present time.

The safety element in Borden common is certified (1) by the company's earnings record, (2) by the dividend record of the stock, (3) by the company's financial condition, (4) by the trend in recent and current earnings, (5) by the nature of the company's business. Thus:

For a period of 10 years, to and including 1922, the average net income applicable to the common stock of the Borden Company was $14.80 per share. For the last five years, the average available income was $15.35 per share. In 1920 the company earned $11.09 per share on its common, in 1921 it earned $11.51, in 1922 common earnings totaled $21.94 per share.

For a period of *twenty-one* years, 1902-1922, inclusive, Borden common has received dividends of at least $8 per share annually, without interruption. Extra dividends, totalling $9.50 per share, were paid in the period 1903-1907, inclusive, and one-half of one per cent

(*Please turn to page* 670)

Cotton Oil Faces Reorganization

Outlook for Different Classes of Securities in Event of Reconstruction—What's Wrong With the Business?

By IVAN J. PERRIER

THE American Cotton Oil Co. is the acknowledged leader of its industry, the extraction of cotton oil and by-products from cottonseed, although it has many side-lines such as soap, washing-powder, edible oils and fats, etc. It has been in business, and pretty successfully on the whole, for some fifty years, and in an industry known for its speculative ups and downs has made a name for itself for sagacity and good judgment.

The Deficit Appears

Beginning with 1920, however, its normal net earnings of 1 to 2 millions annually were transformed into a deficit of well over 2 millions. The same happened to many another sound firm, of course, but the unusual thing was what followed. In 1921 the deficit rose to nearly 3 millions, and in 1922, when nearly all the other listed companies were showing sharp recoveries from the slump, Cotton Oil's deficit of 2½ millions was greater than in 1920, when it had to take an inventory loss estimated by some at 10 millions! This year things look not much better, and the best that is expected is that the deficit may be reduced.

This is indeed a curious state of affairs, and one that may well make investors in and outside of the company's stocks pause to look for the underlying factors which have caused this collapse. The first thing one looks for, of course, is overcapitalization, and it is not to be denied that evidences of this are to be found in abundance.

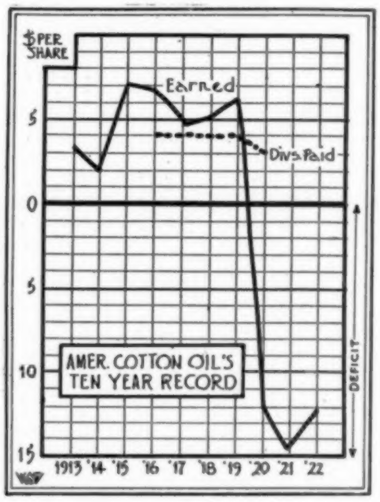
The company has been carrying for years on its balance-sheets an item of "good-will, trade-marks, processes, brands, patents, etc.," at the high figure of 23.6 millions. Deducting this, the equity for the common stock at the close of the last fiscal year on Aug. 31, 1922, was only $4.21 a share. Even in 1916, at the height of the company's war-time boom, the net asset value of the stock was only $50 a share.

But this alone would not suffice to account for the "come-down" of the company, and with it the price of the stock. In spite of its heavy burden of overcapitalization, the company had managed to make good money for years before and during the war. From 1898 to 1920 there were only three years, from 1912 to 1914, in which the company was not able to make some kind of disbursement on the common stock.

As for the high valuation of the good-will and other intangible items, it is undoubtedly true that the trade-marked and heavily advertised products of the company, such as "I. X. L. Salad Oil," "Fairy Soap," "Gold Dust Twins Washing Powder," etc., have built up some value behind this item. It is believed that the company has spent over 25 millions on advertising these and allied products, so that there is a basis for the intangible items, even if they are overvalued.

The Real Cause

To find the real cause of the breakdown of the company's prosperity, one must look at the events which have specifically affected the cotton-oil business in the past four years. This business is intimately dependent on the cotton crop for its raw material, and it is important to notice that the production of cotton in this country has gone down sharply in recent years. The average crop from 1911 to 1921 was 12.3 million bales. Compared with this figure, in 1921 the crop was under 8 million bales and in 1922 under 10 millions. This means that a part of the source of supply of the crushing mills was cut off.



At the same time, during the war the great need of oils and the ease and cheapness with which crushing plants can be erected, caused many small producers to crowd into the field. At the present time, it is estimated that the crushing capacity of the country is three times the amount of the cotton seed which the plantations can furnish. The company has acknowledged the situation by closing down eight of its crushing mills and supplying all its requirements with the remaining fourteen.

While many of the mills have thus been rendered worthless, through lack of raw material and over-supply of mill capacity, their carrying costs and overhead still continue to weigh down the company's finances, and eventually they will probably have to be written off. That this has not been done as yet is indicated by the fact that the property account is still carried at 16.5 millions, around which it has been for many years, while the depreciation reserve of 2.7 millions has shown no great changes in the last few reports.

A contributing factor to the company's difficulties has been the fact that its substitutes for butter, lard, etc., made out of a cotton oil base have fallen out of favor since the post-war boom, because of the low prices of butter and lard themselves. At certain times the natural edible fats and oils have sold for actually less than their substitutes, making competition impossible. This situation has shown but slight improvement in recent months.

In addition, before the war some 40% of the company's business was in foreign trade. As various European countries have been growing progressively poorer they have been unable to buy the American substitutes and have had recourse to substitutes for substitutes. Turkey, for instance, has been using soya bean oil; Central Europe uses large quantities of margarine, and so on. The falling-out of this business has in turn raised the overhead charges and cost of production on the products sold at home.

The combined effect of these influences on the earnings of the stock is shown by the accompanying graph. The surplus was cut from 13.2 millions at the end of 1919 to 4.2 millions in 1922, and from present indications will be cut some more when the current fiscal year is over.

The Passing of Dividends

Correspondingly, dividends were passed on both the common and the 6% non-cumulative preferred in 1920 and have not since been resumed. There are outstanding 20.2 millions of the former and 10.2 of the latter, in addition to 5 millions of 5% bonds, due 1931, and 8.5 millions of 6% notes, maturing in 1924, of which the company is retiring a half-million each year.

It may seem surprising that after all these reverses the financial position of the company should be as good as it is, but it is a fact that at the end of the 1922 fiscal year it had current assets of 11.3 millions against $940,000 of current liabilities. Among the assets were 2.6 millions

(Please turn to page 666)

Sears-Roebuck & Co. is the largest mail-order house in the world

Sears-Roebuck & Co. *Montgomery Ward & Co., Inc.* *National Cloak & Suit Co.*

The Mail Order Houses in 1923

Enormous Improvement in Business and Market Prices Over Depression-Time Lows—Can Progress Be Sustained?

By HORACE T. STANNARD

THE quick recovery of the mail order houses, both in a business way and on the stock market, from the low points reached in 1921, has been a matter of more than average interest to the investor. For those who bought these securities around the prices then reached, and have been holding on to them since, of course, little need be said: they have some of the finest securities listed at an extraordinarily low price, and are to be congratulated.

The investor who has not been so lucky, however, has seen these stocks go up and up, leading the rest of the market in their advance, and suffer like the other in the slump which halted around the early part of July, to make a moderate recovery in recent weeks. For him the question is, can he recover lost ground by buying these stocks at their present prices, or was the opportunity presented in 1921-22, the only one, and are mail order securities a dead issue?

Sensitive to General Business Conditions

Looking at the business back of these stocks, we find it extraordinarily sensitive to general business conditions, and in addition influenced by two forces peculiar to the industry itself. In the first place, it is subject to regular and well-defined seasonal fluctuations, business reaching its high point in the last three months of the year and its lowest in the first few. Moreover, there is a powerful underlying upward trend to the whole mail order business, based on the success in displacing the small unorganized local dealer, and on the slow fundamental growth of the buying power of the nation.

These three sets of forces sometimes work in opposition and sometimes in cooperation. In 1920, for instance, the normal seasonal fluctuations were thrown out of gear completely by the fact that business was very good in the early part of the year and very bad in the latter part. Since then the last quarter sales have shown a steady improvement, for 1922, being higher than for either of the preceding years, while the first quarter of the current year, which is normally one of the poorer periods of the business, are almost as high as those of the last quarter of 1922.

Combined with the fact that the business is very sensitive to the fluctuations in the general level of prosperity, the large inventories which the companies concerned have to carry makes them exceedingly vulnerable to a period of sharp deflation. Every one of the three big companies to be discussed in this article has had to make some radical changes in its financial structure to live through the depression of 1920-1921.

Sears-Roebuck incurred 45 millions of bank loans and issued 50 millions of short-term obligations; Montgomery Ward borrowed 10.5 millions from the banks and reduced the book valuation of its common stock, and National Cloak & Suit had to issue 5 millions of 8% convertible notes, which were repaid with the help of a 4 million dollar issue of preferred stock.

These measures helped the companies meet the situation created by the falling-off of sales and the rapid depreciation of inventories. The revival of prosperity, however, brought new problems some of which are still in process of being solved. There was the question of whether each company should try to regain the volume of sales which it had had prior to the depression, or concentrate on eliminating waste and cutting operating costs. There was the great problem of estimating the purchasing power of the farmer, harassed by frozen credits and by falling crop prices, both as to the nature and the amount of his purchases. There was the question of how to do business on a reduced profit margin, of liquidating old high-priced merchandise at the minimum of loss, of increasing sales to distributors in addition to direct sales by catalogue to the consumer, and many others.

In general, we may say that most of these problems have been successfully met. Sales volume has gone up from 30 to 60% of last years, which was itself well above the depression level; earnings have been brought up to higher levels, in spite of narrow profit margins, and inventories have been disposed of in a fashion that leaves the companies free to follow current developments.

The buying power of the farmer remains the great uncertainty. Prices per bushel, of course, show a serious decline, and the price of hogs is disappointingly low, but the large crops which are now in sight and the strength of many lines of farm products apart from wheat and hogs should sustain the buying power of the farmer at a point that will mean good

COMPARISON OF LEADING MAIL-ORDER HOUSES

	In Millions						Estimated	Recent
	Capitalization							
Company	Funded Debt	Pfd.	Com.	Sales, 1922	Current Assets	Current Liabilities	Earn'gs Per Sh. 1923	Mkt. Price
Sears-Roebuck & Co..	16.9	8.0	100.0	182.2	86.3	15.5	$8—10	73
Montgomery W. & Co.	—	4.3 Also 205,000 shs. Class "A"	11.4	84.7	26.5	8.2	$4—6	21
Nat. Cloak & Suit Co.	—	7.6	12.0	45.4	10.6	3.6	$12—14	51

earnings for the mail order companies. Still this is all problematical.

The three largest companies representing the mail order business on the New York Stock Exchange are Sears-Roebuck and Montgomery Ward, doing a general mail order business, and National Cloak & Suit, which specializes in wearing apparel.

SEARS-ROEBUCK & CO.

When the 1920 depression set in, Sears-Roebuck realized that it must entrench itself for a long siege. In addition to borrowing an estimated 45 millions at the banks and issuing 50 millions in 7% notes, the company started a drastic economy campaign, reducing its sales force and executive staff, cutting out the less profitable departments, and even reducing the number of catalogues issued. So quick and so severe was the break in business, however, that even these measures did not suffice.

President Rosenwald of the company had to step into the breach at the end of 1921, by buying a part of the company's Chicago property for 16 millions, of which he paid 4 millions in cash and bonds and gave notes for the rest. In addition, he donated to the company 50,000 shares of stock, which, figured at par and added to the 8.3 millions of "profit on real estate sale," enabled the company to sustain the year's loss of 16.4 millions, preferred and scrip common dividends of 26 millions, and still show a small surplus of 1.7 millions.

The Recovery of 1922

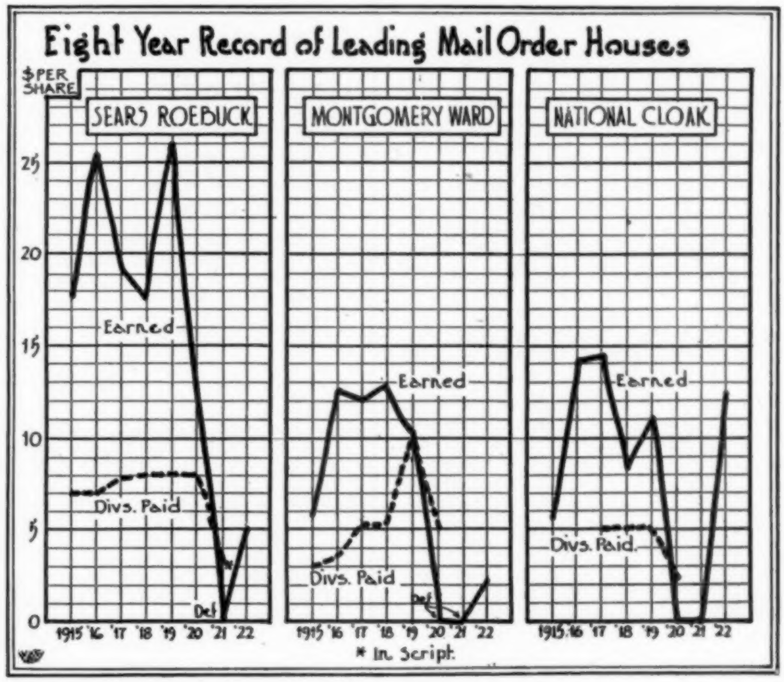
This left the decks clear for 1922, in which it sold 182 millions of merchandise against 178 millions in 1921. The more efficient operating methods introduced at the time of the depression showed itself in the fact that operating costs for the larger volume of business were 20 millions less than in 1921.

The company has apparently consolidated its business on the basis of sales of 180-200 millions a year, instead of trying to reach the 245-million level of 1920. The inventory problem is now definitely out of the way, this item totalling 34.7 millions at the end of 1922, compared with 105.1 millions at the end of 1920.

Another great problem which the company has handled successfully has been the disposal of the obligations which it was obliged to contract during the period of depression. The 50-million dollar note issue was divided into three parts, of which the company has gotten rid of one each year. This leaves some 16.9 millions to be disposed of by next October, a task which should be well within the abilities of the company to accomplish without further financing. The bank loans were quickly repaid in 1921 and 1922, so that at the end of the latter year there were only about a half-million dollars left.

The financial position was therefore enviable by the end of 1922. Current assets amounted to 86.3 millions, against 15.4 millions of current liabilities. Among the assets were 8.5 millions in cash and 28.9 millions in accounts receivable, after the steady liquidation which had brought the latter down from 47.8 millions in 1920, reflecting the thawing-out of "frozen credits."

Developments so far this year have been favorable in the extreme. Sales for the first six months amounted to 106.8 millions, an increase of 34% over last year's figures for the first half of 82.5 millions. Judging by the results obtained last year, when earnings were $5.15 a share, this year's results might be approximated at $8-$10 a share. By the end of the year, it is anticipated that bank loans and notes will all have been paid off, removing a charge of over a million dollars annually. Within the next year, therefore, dividends will be in sight. **The present price of 75, however, appears to discount these favorable developments somewhat completely, however, and other opportunities in this group appear more attractive.**



Eight Year Record of Leading Mail Order Houses

MONTGOMERY WARD & CO.

Compared with Sears-Roebuck, Montgomery Ward appears to have taken the more hazardous but on the whole more profitable course of heading for bigger sales as soon as the shoals of depression were cleared. That this policy has been successful is indicated by the fact that sales for June of this year were the highest in the history of the company, while total sales for the first half of the year were 54% higher than those of 1922, and set a new record for the company at 64.4 millions.

These increased sales, according to company officials, have been due less to increased buying per customer than to the increased number of customers, which in turn is due to the aggressive selling campaign which the company has been carrying on. The cost of handling the additional business is very small, and it has consequently been highly profitable.

The efficiency with which the company's capital is utilized is indicated by the fact that since 1920, it has a smaller percentage of working capital to total sales than Sears-Roebuck. It also has a more rapid turnover of merchandise than its older competitor, and so is better able to get along on a narrow profit margin.

Bank Loans Paid Off

The 10.5 millions of bank loans which the company was obliged to assume in 1920, were all paid off by the end of 1920, while inventories during the same period were liquidated from 30.3 to 18.7 millions. Last year the book value of the common stock was reduced from approximately $25 per share of no par value to a fixed par value of $10, the difference being carried as surplus.

This step will have the effect of hastening the return of dividends on the $7 cumulative "A" stock, and subsequently to the eventual initiation of dividends on the common.

By 1922, the company's affairs had so far progressed that the stock was able to show $2.06 per share in earnings. Earnings for this year, barring a sudden and up till now slump in sales, should be twice this figure or more.

The financial position of the company, after the elimination of bank loans and the liquidation of inventories and accounts receivable, is now very strong.

At the close of last year current assets amounted to 26.5 millions, of which 3.9 millions were in cash. Current liabilities were less than a third of this amount at 8.2 millions, of which 5 millions were accounts payable, or about half of the amount outstanding at the close of 1919.

The great obstacle to the payment of dividends on the common has been the arrears outstanding on both preferred and Class "A." Preferred arrears were wiped out in 1922, and the stock is now on the normal 7% basis, but there are still $17.50 of back dividends out per share on the Class "A," which will have to be removed before the common is eligible for dividend consideration. Last year's earnings on the Class "A" would have been sufficient to wipe out the arrears, however, so it is not likely that the last obstacle will be difficult to overcome.

In view of the good earning power of the company, this would not seem to be very far away, and the stock at 21 accordingly offers a good opportunity as a sound speculative investment at a low figure in an established and profitable business.

NATIONAL CLOAK & SUIT

This company, the smallest of the three, weathered the storm of 1920 with the least difficulty. At the end of that year it had only 1.1 millions of bank loans outstanding compared with 5.1 millions at the end of 1918. It issued 5 millions of 8% notes, which were reduced to 4.5 millions by 1922, and have since been retired with the help of an issue of an additional 4 millions of preferred early this year. Since then $572,000 of the preferred have been called in.

With the help of this financing, it was able to liquidate inventories, which had been over 9 millions in 1919, down to 6.2 millions at the end of 1922, at the same time raising its holdings of cash and negotiable documents by nearly 3 millions.

Its financial position at the end of last year was better than it had ever been before, current assets of 10.5 millions being nearly three times the current liabilities of 3.6 millions, while working capital of 7 millions was the highest in the company's history. The recovery of earnings in 1922, was even sharper than in the case of the two companies previously discussed, the net for the year being $12.48 a share, compared with the highest point in the life of the present corporation reached in 1917, at $14.33 a share.

This is intimately connected with the ability of the company to maintain sales at a high level, indicated by the fact that after the record of 47 millions of sales reached in 1920, the depression of 1921 did not cause a loss of more than 10 millions, which was nearly all recovered in 1922, when total sales amounted to 45 millions.

A Record Showing

In the first quarter of the current year sales were well over 11 millions, which is the best showing for any first quarter in the history of the company. It was stated, officially, that earnings during the first quarter were enough to provide for full dividends for the year on the preferred stock, which had been doubled by the recent issue, and now amounts to some 7.8 millions.

According to this statement, net for the

(*Please turn to page 663*)

Preferred Stocks

Light Transactions—Sentiment Improved

PRICE changes in the preferred share market during the past two weeks were comparatively small, although the price tendency was somewhat firmer. Improvement in high-grade stocks averaged about a point. In the middle-grade division, Armour & Company of Delaware advanced two points, while Sears-Roebuck & Company preferred declined two, being influenced by the uncertain feeling relative to the business outlook in the agricultural districts.

Mack Trucks first preferred continued to recover the ground lost in the recent decline, as did American Water Works & Electric first preferred. These stocks are attractive in view of the excellent earnings of the companies mentioned. Among the rails, Southern Railway preferred was up three points. Kansas City Southern and St. Louis Southwestern preferred also exhibited an advancing trend, although transactions were light.

PREFERRED STOCK GUIDE

Sound Investments

INDUSTRIALS:	Div. Rate $ Per Share	Approx. Price	Approx. Yield	†Divid'd Times Earned
American Sugar Refining Co...........(c.)...	7	101¼	6.9	2.4
American Can Co......................(c.)...	7	108¾	6.4	2.1
American Ice Company..............(n.c.)...	6	81	7.4	2.2
American Woolen Co...................(c.)...	7	101½	6.9	2.5
Allied Chemical & Dye Corp...........(c.)...	7	108	6.5	(x) 4.5
Baldwin Locomotive Works.............(c.)...	7	112½	6.2	4.4
Cluett-Peabody & Co..................(c.)...	7	105	6.7	4.7
Endicott-Johnson Corp................(c.)...	7	115	6.1	4.6
General Motors Corp. deb.............(c.)...	7	98¼	7.1	(y) 5.1
Kelly-Springfield Tire Co............(c.)...	6	87½	6.8	12.5
Loose-Wiles Biscuit Co. 1st..........(c.)...	7	106	6.6	3.2
Standard Milling Co...............(n.c.)...	6	89	6.7	4.3
PUBLIC UTILITIES:				
North American Co....................(c.)...	3	43	7.0	(w) 6.9
Philadelphia Company.................(c.)...	3	43½	6.9	5.6
RAILROADS:				
Bangor & Aroostook...................(c.)...	7	90	7.7	2.5
Chesapeake & Ohio conv...............(c.)...	6.50	97½	6.7	4.9
Colorado & Southern 1st...........(n.c.)...	4	50	8.0	6.2

Middle-Grade Investments

INDUSTRIALS:	Div. Rate $ Per Share	Approx. Price	Approx. Yield	†Divid'd Times Earned
Armour & Co. of Del..................(c.)...	7	87½	8.0	(z)2.9*
American Steel Foundries.............(c.)...	7	101	6.9	5.0
Allis-Chalmers Mfg. Co...............(c.)...	7	90	7.7	2.8
American Smelting & Ref. Co..........(c.)...	7	96	7.3	1.7
Associated Dry Goods Co. 1st.........(c.)...	6	84½	7.1	3.0
Brown Shoe Co........................(c.)...	7	92½	7.5	2.2
Bethlehem Steel Corp. conv...........(c.)...	8	102¼	7.6	3.8
Bush Terminal Buildings Co...........(c.)...	7	90	7.7	1.1
Coca-Cola Co. ....(c.)...	7	93½	7.5	(x) 5.1
Cuban-American Sugar Co..............(c.)...	7	92	7.6	6.4
Genl. American Tank Car Corp.........(c.)...	7	96¾	7.2	5.4
General Baking Co....................(c.)...	8	108½	7.4	(x) 3.8
Gimbel Brothers, Inc.................(c.)...	7	98½	7.1	3.3
J. Kayser & Co.......................(c.)...	8	96	8.2	2.0
Natl. Cloak & Suit Co................(c.)...	7	92½	7.6	...
Sears-Roebuck & Co...................(c.)...	7	106½	6.6	12.6
U. S. Industrial Alcohol Co..........(c.)...	7	96	7.3	6.4
PUBLIC UTILITIES:				
Amer. W. Wks. & Elec. Corp. 1st......(c.)...	7	90	7.7	(x) 2.2
Public Service of N. J...............(c.)...	8	101	7.9	(y) 3.4
RAILROADS:				
Baltimore & Ohio..................(n.c.)...	4	57	7.0	...
Colorado & Southern 2nd pfd.......(n.c.)...	4	48	8.3	5.8
Pittsburgh & W. Va...................(c.)...	6	87½	6.9	2.0

Semi-Speculative Investments

INDUSTRIALS:	Div. Rate $ Per Share	Approx. Price	Approx. Yield	†Divid'd Times Earned
American Beet Sugar Co............(n.c.)...	6	66	9.1	1.3
California Petroleum partic. pfd.....(c.)...	7	100	7.0	1.3
Famous Players-Lasky Corp............(c.)...	8	90	8.9	(y) 5.7
Fisher Body Corp. of Ohio............(c.)...	8	98	8.1	...
Mack Trucks, Inc., 1st...............(c.)...	7	93½	7.5	(y) 2.8
Orpheum Circuit......................(c.)...	8	91	8.8	(w) 2.5
Pure Oil Co. conv. pfd...............(c.)...	8	90	9.0	3.5
U. S. Rubber 1st pfd..............(n.c.)...	8	99	8.0	2.4
Worthington Pump & Mfg. "A"..........(c.)...	7	81	8.6	2.0
PUBLIC UTILITIES:				
Market Street Railway prior pfd......(c.)...	6	66	9.1	1.4
RAILROADS:				
Kansas City Southern..............(n.c.)...	4	52	7.7	1.5
Pere Marquette.......................(c.)...	5	62	8.0	2.2
St. Louis Southwestern............(n.c.)...	5	58¼	8.5	1.7
Southern Railway..................(n.c.)...	5	68	7.3	1.7

(c.) Cumulative. (n.c.) Non-cumulative.
(w) Average for last two years.
(x) Average for last three years.
(y) Average for last four years.
(z) Stock was issued this year.

* Based on average earnings during past six years.
† Average number times earned last five years.

Baldwin Locomotive Company

Baldwin's Amazing Recovery

What a Year of Good Business Has Done —Is the Stock Attractive at These Levels?

By JOHN MORROW

IN the famous "fake" letter on Baldwin Locomotive sent broadcast to New York brokers in January, 1923, one of the "points" was the indirect statement that Baldwin would charge off its holdings of Polish and other foreign bonds. It will be remembered that this letter was intended to discredit the financial position of the Baldwin Locomotive Company and that it failed utterly. Nevertheless, it was an interesting, if miserable, attempt to disseminate false propaganda, and the statement made regarding the possibility of charging off holdings of foreign bonds aroused renewed interest in that feature of Baldwin's position.

During the post-war depression, the Baldwin management courageously plunged into foreign fields and took contracts for locomotives, not only in Europe, but also in South America. There was much shaking of heads, particularly because the European contracts were placed in Poland and Roumania, while business was also done with the Mexican Government. As of December 31, 1922, the total amount of foreign bonds carried among current assets on Baldwin's balance sheet was approximately 13 million dollars, or about 25% of total current assets.

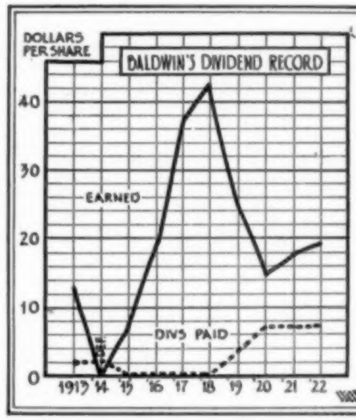
Not more than two weeks ago it was officially announced that Baldwin had received from the Polish Government the sum of $1,238,775, representing payment against principal and interest. In connection with the announcement it was further stated that all interest payments had been met on time by the Polish Government since the contract was entered into in 1919. The matter is of more than ordinary interest because of the repeated attempts to depress Baldwin common shares with underground rumors of complete financial failure of foreign locomotive contracts.

Of the payment made by the Polish Government on June 30th, last, 1 million dollars was on account of principal. When the announcement was made the stock market apparently paid little attention, dismissing it as one of the routine incidents of the day, but it was far more important than that. In 1922-21-20, the Baldwin income statement classified sales as sales on a cash basis, and sales on a deferred basis, setting down cost and manufacturing profits in the same way. The deferred basis business, of course, referred to the foreign contracts. The total amount of sales on the deferred basis has been about 35 million dollars, of which over 22 million dollars was done in 1920. In 1922, sales on a deferred basis were less than 3 million dollars.

The Recovery in Domestic Business

Since the turn in business a year ago it has not been necessary for Baldwin to seek foreign markets in order to develop activity in operations. While total sales in 1922 were only 33 million dollars as compared with an average of over 90 million dollars for the three years—1918-19-20, earnings on common stock last year were equivalent to $19 a share. Since the first of January, 1923, the tale of Baldwin has been one of constantly expanding operations.

A brief review is of interest. In August, 1922, the works were operating at 40% capacity, and there were 15 million dollars unfilled orders on hand. Even that was an improvement, for in 1921, operations were down to 25% of capacity. At the first of July this year operations were at 95% capacity, and there were over 56 million dollars unfilled orders on hand. There have been no unusual situations or developments in Baldwin for a long time. Apparently the management has been plugging along, using every endeavor to get the most out of the big railroad buying campaign which hit the equipment field last year. The rate of shipments for the first half of the year was four times the rate for the same period of 1922, and shipments for the whole year are expected to be in the neighborhood of better than 100 million dollars. If this happens, it will mean the second largest year



in volume of business, gross sales having amounted to 123 million dollars in 1918, when over $42 per share was earned on the common stock.

No official figures or estimates of earnings for the first six months of 1923 have made their appearance, but it has been claimed that profits during that time reached 4 million dollars, equivalent to about $16 a share on the junior stock. That is at the rate of over $30 for the year, and shipments of the second six months will in all probability be larger than those for the first six. In other words, earnings of the company this year may very easily compare most favorably with the top totals of the war years, when Baldwin common was a vehicle of almost continuous speculative excitement. When the stock market is firm and active, rumors crop out of impending readjustment in capitalization, or of the declaration of some kind of distribution to shareholders. Each time these reports are officially denied and stress is laid upon the fact that the company is simply going ahead, attending to its regular business, which is the manufacture of locomotives and not stock-market yarns.

Another point to remember in connection with Baldwin is the fact that in each year of the last three the company has made deductions for deferred profits. In other words, the indicated profits on the foreign contracts have not been included in income account, but have been deducted therefrom, so that the earnings as reported are those actually put in the till as it were. The amount of deductions is about $6,000,000, equivalent to 30% upon the common stock, and if the success of the Polish contract is any guide,

(*Please turn to page* 653)

BALDWIN'S EARNINGS

	Gross Sales	Total Income	Times Bond Int. Earned	Earned on Preferred —Per Share—	Earned on Common —Per Share—	Surplus
1917	$98,263,865	$12,740,485	6.7%	$44.20	$37.20	$7,443,840
1918	123,179,250	19,760,441	7.6%	49.50	42.50	8,512,112
1919	84,307,777	9,945,672	6.8%	31.30	24.30	4,171,243
1920	73,542,660	11,755,200	2.3%	22.10	15.14	1,628,518
1921	49,945,500	10,625,457	4.0%	25.20	18.20	2,244,000
1922	33,087,259	8,072,936	5.0%	26.00	19.00	2,406,510

Colorado Fuel & Iron Company

An Unknown Quantity in the Steel World

Has Purpose of Organization Been Justified?—The Stock's Prospects

By HENRY FRANKLIN

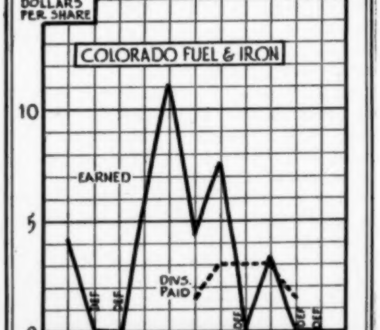
ONCE upon a time a good many years ago Colorado Fuel & Iron was looked upon as a great possibility because of the then forthcoming development of the Far East. The possibilities supposed to lie in the company were emphasized by the attempt of James J. Hill, to develop trade with Japan and China. The main plant of Colorado Fuel & Iron is on the Colorado & Southern Lines, south of Denver, a location which was held to be a strategic position from which to ship steel products to the East. There are no figures available to show how the company has fared in this respect, but it is well known that China has made relatively big strides in the manufacture of steel of late years, and her wonderful natural resources and cheap labor make it appear unlikely that the output of American manufacturers will be needed there, especially if political stability is attained.

When the Panama Canal was finished the question immediately arose as to what effect the new waterway would have upon all-rail transcontinental traffic. It now develops that the Panama Canal has hurt Colorado Fuel & Iron by reason of the low rates made by rail and water from eastern producing plants via the Panama Canal. These rates have been several dollars per ton lower than all rail rates from the company's plant at Pueblo to Pacific Coast. Colorado Fuel & Iron's management has been attempting to secure an adjustment of this situation so that its products may compete in the coast markets with those of eastern producers. Available records do not show that the adjustment has been consummated yet.

Not only is Colorado Fuel & Iron a maker of iron and steel but is also a large producer of coal. Gross revenues from the fuel department for the last several years have been running from 30 to 40% of the total gross revenues, and it is interesting to note that in the years 1922 and 1921 the company received greater net revenues from the production and sale of coal than it did from steel and iron end of the business. During the war years when earnings were quite large the iron and steel department netted much more revenue than did the fuel department, but since 1918 the trend apparently has been the other way, and it will be interesting to see whether the company is going to be permanently more of a miner than a steel maker.

SIX-YEAR RECORD OF COLORADO FUEL & IRON

	Gross Revenue	% Oper. Expenses	Net Income	Earned on Common	Annual Surplus
1917	$40,004,886	79.4	$3,979,470	$11.15	$3,219,470
1918	48,233,575	84.5	2,732,047	7.51	1,053,678
1919	34,405,218	90.4	def. 577,646	def.	def. 1,764,639
1920	51,812,813	89.3	1,286,806	3.29	99,812
1921	27,485,938	93.5	def. 2,731,172	def.	def. 3,404,669
1922	29,533,191	88.6	def. 654,945	def.	def. 914,945



There are over 19,000 acres of coal land operated which were leased in 1896 from the Atchison, Topeka and Santa Fé. The fixed rental of the properties is relatively low, with a royalty paid on coal actually mined. The steel works at Pueblo have an annual capacity of between 500,000 and 700,000 tons of finished steel products, and there are three iron mines located in Wyoming, Colorado and New Mexico. Colorado Fuel & Iron, while it naturally uses coal from its own mines in making steel, sells more than it uses. Approximately 60% of the coal mined is for commercial sales. It has been emphasized that a company as rich as Colorado Fuel & Iron in natural resources should be much richer in earning power. It has iron, coal, limestone, a good plant, well located as regards transportation facilities, and yet earning power on the common stock has not been large. As efficient as the management may be, the market for its products is simply not there in the accepted sense of the word, and as mentioned previously, the eastern producers have the company at a disadvantage owing to transportation rates over which Colorado Fuel & Iron has small control. In the three and one-half years from June 30, 1915, to December 31, 1918, total earnings upon the common shares were between 28 and 29%, not a large total when the earnings of other steel makers are compared. Dividends of 3% were inaugurated upon the common stock in 1917 and paid until 1921.

In the three months ended March 31, 1923, Colorado Fuel had a net income equal to one dollar a share on the common stock. If the experiences of the eastern companies are any guide, Colorado Fuel must have done better in the second quarter of the year, but it is doubtful if the most optimistic expect the company to earn more than $6 or $7 a share upon the junior shares in 1923. The years 1916, 1917 and 1918 saw great jumps in the volume of business, but it is still a question as to whether the war permanently enlarged earning power as happened with several industrial companies. It still looks as if the true capabilities of Colorado Fuel & Iron are of an unknown quantity.

Colorado Fuel & Iron has a funded debt of 37 million dollars mortgage bonds bearing interest at the rate of 5%. The main issue is an issue of Colorado Industrial Company 1st 5s, 1934, now selling in the neighborhood of 76, with a direct income return of 6½%. These bonds are a first mortgage on coal and iron land, etc., and well secured. However, they have not had relatively as large an advance as many other bonds during the past two years and a half, and using that as a guide, their position does not seem to be that of an absolutely good grade investment. There are only 2 million dollars 8% preferred outstanding. This stock is very inactive, and apparently closely held.

The common outstanding is $34,235,000. For those who are seeking speculative thrills it furnishes no opportunities. **Unless Colorado Fuel & Iron common can pay dividends of at least 3% per annum and show indictions that it can sustain such payments the shares do not seem to be overly attractive, at the present price of about 30, and are not entirely suited to the average outside speculator in view of the many other speculative opportunities on the list.**

Newcomers on the N. Y. Stock Exchange

The Sixth and Last of a Series Describing Newly Listed Securities

By FRED L. KURR

Note: This article marks the conclusion of a series of articles describing and analyzing stocks listed on the N. Y. Stock Exchange this year. Securities listed from this time on will be either treated separately or combined into a general article at the close of the year.

YOUNGSTOWN SHEET AND TUBE Youngstown Sheet & Tube Company is one of the leading producers of steel in the United States and the largest independent manufacturer of tubular products. On March 1, 1923, the properties of the Brier Hill Steel Company were taken over. The company has also purchased the business and assets of the Steel & Tube Company of America, but this has been temporarily held up by an injunction against the sale obtained by certain minority stockholders of the latter company. The injunction has already been vacated by the Delaware Court, but minority stockholders have stated their intention to take an appeal from the decision or to commence other legal proceedings. It is the best legal opinion, however, that if any further action is taken it will not succeed in setting aside the sale.

In order to finance the purchase of the Steel & Tube Co. properties, Youngstown Sheet & Tube Company has issued 40 million 6% debenture bonds of which approximately 33 millions represent the purchase price. If the sale should be set aside, this purchase price will be refunded to Youngstown Sheet & Tube Company and, if and when received, this amount must be paid into the sinking fund and used to retire this issue of bonds or to acquire additional property.

What the Merger Would Accomplish

The acquisition of these two properties gives the company a wider geographical distribution of manufacturing facilities and should be of benefit to the company as it affords productive capacity located near its principal markets which materially lessens the cost of distributing its products. These new properties have also increased the diversification of the company's products and have added new types of ore to its holdings, thus rounding out its ore supplies.

The combined properties have an annual production capacity of 2,500,000 gross tons of pig iron, 2,800,000 gross tons of ingots and 3 million net tons of by-products coke. Its approximate annual capacity of finished products is 860,000 net tons of tubular products, 840,000 net tons of bars, billets and plates, etc., 450,000 net tons of sheets and 150,000 net tons of wire products. The iron ore properties which it owns or controls are equipped to produce the company's full current requirements, and the coal mines are capable of supplying 65% of the company's requirements.

Earnings of the consolidated properties for the ten years ended December 31, 1922, averaged $11.60 per share on the 987,606 shares of common stock outstanding. This was after deducting liberal charges for depreciation and depletion and amortization of war facilities as well as interest on the funded debt as now constituted and dividends on the preferred stock. Earnings in 1922 were approximately equal to present interest charges, but since the first of the year, there has been a marked improvement and earnings for the first four months after deducting depreciation at the average rate, were equal to $6 a share on the common stock or at the rate of $18 per share per annum.

Balance sheet of the Consolidated Company shows a strong financial condition with a working capital of about 64 millions and ratio of current assets to current liabilities 3½ to 1.

Conclusion

Book value of tangible assets after deducting current liabilities and ore reserves is 184.6 millions as against total outstanding funded debt of 74.9 millions. Earnings for the past ten years averaged 3¾ times present interest charges. At present levels of 99, the 6% debentures yield 6.05%.

The common stock is now on a 5% dividend basis and with current earnings at the rate of 18%, this dividend is secure under present conditions. Earnings of the company will, of course, fluctuate with conditions in the steel industry and in periods of depression it is questionable whether the current rate could be maintained. In 1921, for example, the combined properties reported a deficit of 9.3 millions before interest charges. **The stock at 64 does not appear particularly attractive.**

PENNSYLVANIA COAL & COKE Pennsylvania Coal & Coke, directly or through subsidiaries, owns in fee 8,031 vein acres and holds under lease 36,343 vein acres of coal lands located in central Pennsylvania. Estimated reserves of unmined coal are over 182 million tons, sufficient at the average rate of production for 65 years of future operation.

In 1922, earnings were adversely affected by the coal strike and only $2.90 a share was earned on the stock which compares with $3.87 in 1921 and $11.52 per share in 1920. Earnings in the current year have been satisfactory and for the first three months net income was equal to $2.25 a share on the stock or at the rate of $9 per share per annum. Average earnings for the six years ended December 31, 1922, were equal to $8.88 a share on the present outstanding capitalization. Average production for these six years was 2,708,231 tons. It is estimated that in the current year, approximately 3 million tons will be mined.

The company is in good financial condition with a working capital of 2.7 millions, ratio of current assets to current liabilities being 2¾ to 1.

At present levels of 36 the stock as a $4 dividend payer gives a very handsome return—11.11%. This high yield, undoubt-

(*Please turn to page* 661)

FIVE RECENTLY LISTED COMPANIES

	Capitalization: Bonds	Capitalization: Preferred	Capitalization: Common (No. of Shs.)	Working Capital	*Earned Per Share 1922	Price Range Since Listing: High	Price Range Since Listing: Low	Recent Price	Dividend Rate
Columbian Carbon	....	....	402,131	$1,729,693	$4.66	$49⅞	$45	$47	$4
New York Canners.......	$600,000	$2,661,600	100,000	2,241,538	6.50	32½	28⅛	29	..
Pennsylvania Coal & Coke	427,611	....	172,606	2,777,631	2.90	43⅜	34¼	36	4
Rossia Insurance	....	....	48,000	†4,899,000	7.37	94½	89	90	6
‡Youngstown Sheet & Tube	74,972,066	14,974,400	987,606	63,935,614	**	80	63½	64	5

** Consolidated earnings of Youngstown Sheet & Tube, Brier Hill Steel, and Steel & Tube Co. of America for 1922 was approximately equal to interest charges on funded debt now outstanding.
* On present capitalization.
† Estimated liquidating value of assets.
‡ Including Brier Hill Steel Co. and Steel & Tube Co. of America.

Why Not Say It, Mr. Coolidge?

("The young fellow of today needs a spokesman," announced a member of the Staff. "Why?" we asked. "I'll write out WHY," answered the Staff-Member, "provided you undertake to print what I write." "Go ahead and write it," said we.)

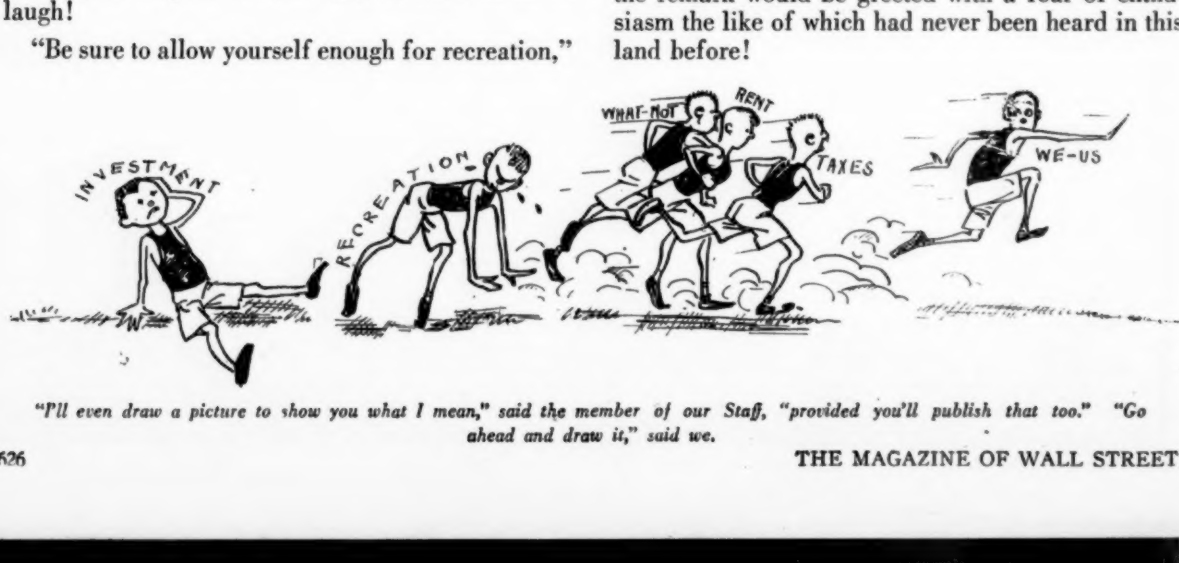
"YOU simply must not spend more than a quarter of your salary for rent!" sermonizes the Authority on Budgets. And the $2,500-a-year-men of the city-sections, who are in the vast majority, after one glance at the veritable hovels their wives and children would have to exist in if they observed this preachment and limited their rentals to $52 a month, might be excused for—well, *smiling* a little.

"You should save at least twenty-five per cent of your salary," goes on the Authority. And the person he talks to (it doesn't matter much what that person's income may be) who is hounded by clothing prices two, three and four times what they were before the war, who is forced to pay food bills out of all proportion to the scale his father had to meet, whose transportation expenses, tax bills and what-not are all expanded to the breaking-point—well, you can't blame him if he jeers a little at the idea.

"Ten per cent should go to charity!" The Budget Authority is still in the saddle. Ten per cent! Two hundred and fifty dollars a year for the $2,500-man; $500 a year for the $5,000-man. It is to laugh!

"Be sure to allow yourself enough for recreation," adds the Budget Man, in a burst of generosity. Kind of you, old fellow. Very kind! So good of you to admit that, after all, the young fellow of today may deserve a little play just as much as his father and grandfather did before him. Of course, what with rents taking half his salary (and that for no better a home than he ought to have), and food, clothing, and medical expenses taking the other half, there's not much of anything left over for recreation. Still, just reminding our people that they *deserve* recreation, and *ought* to be able to afford it is undoubtedly helpful.

"What this country needs most is a good five-cent cigar," said a Vice-President of the United States a while ago; and a large section of the country echoed the thought. Now if only a Vice-President would say, "What this country needs is a scale of living costs that average-salaried men could meet and still have enough left over for health-building in the form of frequent recreation, soul-building, in the form of donations to charity, and fortune-building, in the form of sound investments"—if some Vice-President would only say something like that, we predict the remark would be greeted with a roar of enthusiasm the like of which had never been heard in this land before!



"I'll even draw a picture to show you what I mean," said the member of our Staff, "provided you'll publish that too." "Go ahead and draw it," said we.

The Real Facts About Will-Making

Importance of Allowing Yourself Ample Time—Who Shall My Executor Be?

By Harvey Barton Hartsock

of the New York Bar

AN increasingly large number of people do realize the advantages of drawing a will. There are still, however, many persons who fail to take the precaution. The greatest reason for this failure is the natural dislike to think about death.

Some seem to feel that drawing a will hastens death; others that drawing a will is an indication of old age. The need of drawing a will has no relation to age or health. Death's hand tightens slowly and surely about the old and feeble, but it plays with the young and active many times a day, and frequently snatches them ruthlessly out of the game. Expectancy of life is not a guarantee of life.

One should draw a will while circumstances permit quiet and sober thought. Lawyers are frequently called upon to draw a will in a great rush. Someone is going to leave home and he lets his making a will go to be done with the packing of grips and trunks. Another finds an operation necessary or is the victim of accident and the lawyer must get his directions amid nurses and surgeons at the hospital.

Some Actual Cases

Naturally there are many persons who fail, as a result of ignorance, to provide for proper distribution of their property. Many rely upon some friend whom they have told how they desire their property to be distributed. Some attempt alone to make a will or leave written directions, but the same are usually so indefinite or lack the proper witnesses and hence avail nothing. They usually only indicate the intention of the decedent, and only increase the disappointment of the person who was intended to be benefited.

A man discovered in 1921 that a brother, whom he had made legatee under his will, had died leaving three children whom he regarded as unworthy legatees. He, therefore, wrote, signed and left in the envelope with his will, these words: "As my brother Max has died since the making of my last will and testament, it is my will that his part shall be given to my beloved wife. . . ." This writing, not being witnessed, could not affect his will as drawn, and the part willed to that brother went to that brother's children under a statute of the state where the testator resided.

A common mistake is to assume that a will having been duly drawn can be changed merely by writing on it or striking out parts of it, or by leaving a written direction in an envelope with the will.

The will of a lady of large fortune who recently died in Rhode Island was found to have the testatrix's and the witnesses' signatures and certain paragraphs in it stricken out with ink, and to have written on it and signed in the testatrix's handwriting, "This is no good, nor any copy like it." The document was nevertheless admitted to probate as the decedent's will.

Some persons, having drawn a will, put it away where it lies undisturbed until the testator's death. A will carefully drawn with the advice of a good lawyer usually includes alternative provisions, so that many contingencies are covered. The difficulty of providing for all possibilities is great, however, and a will may be found to work great hardship on certain persons by reason of circumstances having changed after the will was drawn. Hardship, from this cause, on children born after the parent had drawn a will has led most states to pass statutes permitting the child, so born and not mentioned in the will, to share in the parent's estate as if there had been no will; the will being effective only on the remainder of the estate.

Don't Forget It After Drawing It!

A man drew his will in 1920 whereby he gave all his personal property to his widow and directed that his realty be sold, one-half the net proceeds to be given his widow and the other half sent to his brothers and sisters in Germany. He thought this was ample provision for his wife. Thereafter he and his wife made a trip to Germany and spent considerable money.

He invested heavily in German bonds, payable, of course, in marks. After his return to the United States he suffered long sickness and spent much more money for medical and other attention. When he died it was discovered that his personality would not pay his debts, and that his realty was worth only a few thousand dollars. The widow had worked very hard for many years helping her husband make and save the money with which the real property was purchased. She was compelled, however, to see the land sold and one-half the net proceeds sent to the Germans. The whole estate would have supported her in a modest way; one-half of it leaves her dependent.

One should not only draw a will but should see that it is kept up to date.

Many persons still prefer to have an individual as executor or trustee. They feel that the estate will be given more personal attention. In some instances this may be true. More often, however, the individual's interest decreases after the death of his friend, and as executor or trustee he is likely to regard his duties as merely an accommodation to his dead friend or the family. Getting the estate settled in the quickest and easiest way is then his greatest desire with respect to it. To a trust company, on the other hand, acting as executor or trustee is part of its business. It is interested in its fees from the particular estate and fees from other estates which may be placed in its hands by reason of its satisfactorily handling the present one. It is naturally desirous, as executor, of collecting all the assets, and as trustee of making the trust fund earn as much as possible, because its fees are computed upon the percentage basis. It is careful against losses for it is responsible for them, and no new estates will come into its hands through losses. A trust company is, moreover, equipped with experts in property value and management, with publications, records, and knowledge of current affairs, in a way that no individual can possibly be. Its largest advantage over an individual as executor or trustee is its greater certainty of continued existence. A well-established trust company will almost surely be in existence (*Please turn to page* 678)

Prize Contest Announcement

What the Conditions Are—How to Win One of the Three Prizes Offered—Every Reader Eligible

"*ANYTHING appropriate to the columns of* THE MAGAZINE OF WALL STREET, *and not exceeding 2,500 words in length.*"

There, in a nutshell, are the simple conditions of the New Prize Contest, to be conducted by THE MAGAZINE OF WALL STREET between now and 12 noon, September 15th, in which any and all of its readers, irrespective of age, rank, sex or station, are entitled to compete.

Three prizes are offered for the best manuscripts submitted in this contest: There is a first prize of $50. There are two second prizes of $25 each.

Readers who submit manuscripts which do not happen to win a prize, however, will not necessarily have had their labor for nothing. Every manuscript will be read, primarily, for its suitability for publication in these columns. Many of those submitted, although not of prize-winning calibre, will be found suitable for publication. In such event, these manuscripts will be retained by The Magazine—with the author's consent—for later publication, and will be paid for at regular rates upon publication.

The editors of THE MAGAZINE OF WALL STREET will be the sole judges in the contest. So far as would be possible for any judges to select the "best" manuscripts out of the host of manuscripts we expect to receive, these editors will perform that function. That you may have a definite idea of the features the editors will look for, and by which their approval is most likely to be won, the following suggestions are offered:

Give your article a point: It doesn't matter very much what subject you select, or what your style of treatment happens to be. But have a reason for whatever you write, and make that reason plain.

Don't be afraid to cite figures: The Magazine endeavors to avoid generalities itself. It tries to base every argument or suggestion it offers on demonstrable grounds. You will find that this policy, applied to your own manuscript, will produce the best results.

Strive for Originality: Editors are human. Their interest will be caught more easily with something a little unique (whether in subject-matter or style of treatment) than with something of the opposite sort.

What Is "Appropriate"?

As the primary condition upon which manuscripts would be considered, the terms of the contest cite "appropriateness to the columns of THE MAGAZINE OF WALL STREET."

Readers who have kept in touch with The Magazine for some time need no further definition of "appropriateness" as applied to this contest. For the benefit of newer readers, however, this may be offered:

THE MAGAZINE OF WALL STREET is dedicated to the work of helping to build up a whole nation of intelligent investors. Its chief aim and object is to make the purposes, pitfalls, opportunities and methods of the financial machinery plain and understandable to all. It also publishes such material as seems best calculated to encourage people to join the investment army.

To this end, The Magazine carries, in every issue, a great number of educational articles—articles that seek to show investors how to make use of the mechanism the world of finance offers. It also publishes a great number of investment suggestions — most of the suggestions applying to individual securities, but not a few of them applying to classes of securities. The Magazine also publishes such articles of an "inspirational" variety as seem suited to its position and the qualities of its readers—not maudlin sentiment, or mushy generalities that cannot be applied in the rough contacts of every-day life, but encouragement of a practicable variety, encouragement that can be *used.*

Taking into consideration this brief summary of the type of articles deemed appropriate by The Magazine, it follows that readers entering the contest should endeavor to write what will be instructive, suggestive, or inspiring in the financial field.

Of course, it will not be held against any reader if he makes his article entertaining.

For concrete examples of types of articles recently published in these columns which would be appropriate to this contest, we suggest a re-reading of the following:

"Why Some 'Split-Up' Stocks Are Not Cheap," page 501, *July 21st,* 1923.

"The Real Facts About Will-Making," page 531, *same issue.*

"If I Were Building—or Buying—a Home," page 534, *same issue.*

"How Small Investors May Avoid Losses," page 427, *July 7th issue.*

The above titles, be it noted, are cited merely as examples of four subjects that would have been deemed appropriate in this contest if they had not already been used in The Magazine. It does not follow in any way that readers should confine themselves to exactly similar subjects. Nor does it follow that readers should adhere to exactly similar styles of treatment. One of the best-received articles published by The Magazine in recent months was a one-act play, called *"What Every Would-Be Income Builder Knows"*; a similarly cordial reception was given a *vers libre, à la* K. C. B., called *"The Glory of the Commonplace."* Both of these are widely different, in subject matter and style of treatment, from the titles quoted; yet, had either of them been submitted for this contest it would have been considered highly appropriate.

Here is the matter in a nutshell: Write what you believe you would publish in THE MAGAZINE OF WALL STREET *if you were the editor in charge. Make it as interesting, as instructive, as practical and as inspiring as you can.*

And don't be afraid to compete. Young, old or non-committal are all eligible, and we expect a manuscript from every one.

Conditions of the Contest

1) Articles must not exceed 2,500 words in length.

2) In subject and style of treatment they must be appropriate to the columns of The Magazine of Wall Street.

3) Judges in the Contest shall be the Editors of The Magazine of Wall Street.

4) Completed manuscripts, to qualify, must be in the offices of The Magazine of Wall Street not later than twelve noon, Saturday, September 15th, 1923.

All articles submitted in the contest and found available for publication, whether prize winners or not, will be paid for. Judges in the contest will not be influenced by the comparative length or brevity of competing manuscripts, providing the 2,500-word space-limit is not exceeded. Names of authors will be published or not according to the preferences of each author. Manuscripts should be typewritten, where possible.

Manuscripts must be addressed as follows:

PRIZE STORY CONTEST
THE MAGAZINE OF WALL STREET
42 Broadway, N. Y. City.

Your Insurance Questions Answered

Problems Submitted by Readers
Analyzed and Solved

BY FLORENCE PROVOST CLARENDON

"Our Insurance Department undertakes to advise readers who make their requirements clear what types of LIFE INSURANCE policies it would seem best for them to take out and what the approximate cost and actual benefits of such policies would be.

"The department does not attempt to cover any other than the life insurance field, nor does it wish to encourage inquiries as to the relative standing of 'Old Line' companies.

"Readers who are utilizing the service of the Insurance Department (which we are very glad to extend) will facilitate the work of the Department considerably if they will observe these simple rules."

For $5,000 Policy

I am contemplating taking out five thousand dollars worth of insurance. Am 38 years of age, income two thousand, married, have one child.

Would two companies be preferable to one? What companies would you recommend? What is the premium when paid yearly? Is it lower for one $5,000 policy or two $2,500 policies?

I believe 20-Year Endowment policy is what I need. What do you recommend?—F. C. Y., Brooklyn, N. Y.

In your circumstances, on an income of $2,000, and with a wife and child to protect in the future as well as provide for in the present, I would suggest your taking as much insurance as you can possibly afford on a Limited Payment form. A policy on the 25-Payment Life Plan would cost less than one on the 20-Payment form, and under it all premiums would be paid on your attaining age 63—not old age as we now consider it, but a time when you would still be active.

The Endowment form is an excellent way to build up a savings fund, and it is particularly applicable to young men under 20 or 25 years of age, or to business or professional women, since the primary object is to build up a thrift fund by means of systematic deposits for the use of the insured. While this savings fund is being accumulated for the use of the policyholder, there is the added benefit of provision for a beneficiary in case the insured should die before the Endowment matures. This is, however, an expensive policy for a married man who needs insurance—and all he can afford to pay for—to protect his family.

You could obtain a 25-Payment Life policy for $5,000 at age 38, in a non-participating company, at an annual premium of approximately $131, representing a saving on your part of not quite $11 a month to meet the yearly cost. A 20-Year Endowment policy would cost about $210—about $80 more annually than the 25-Payment Life. Thus you could carry more than $3,000 additional insurance on the latter form than you could on the Endowment for the same amount of money. In your position you need this additional protection.

We prefer not to give preferential advice regarding the good "Old-Line" companies, in any of which you would receive fair and equitable treatment and attractive premium rates. The rates quoted are those of a Legal Reserve company active in the insurance business for over 70 years.

If your insurance is taken with a good reliable company, there is no advantage in dividing your protection between two companies, unless you personally prefer some particular benefit or privilege extended by one of the companies.

The rates for life insurance are usually calculated at a premium cost per $1,000 of insurance, and one $5,000 policy, or two policies in the sum of $2,500 each—in all other particulars similar—would not vary in premium cost.

GETTING THE MOST PROTECTION FOR THE LEAST MONEY

Could you kindly advise me of the amount of 20-Payment Life Insurance that you would think it proper for me to carry? Would you suggest placing all with one company, and, if so, which would you recommend? I have made inquiries about different companies and have come to the conclusion that the New York Life Insurance Co. offers about the right kind of a policy that I want—viz., a double indemnity clause, a definite period, viz., three months of disability entitling one to receive 1% per month for life of the face value of the policy, and the becoming of this policy after 25 years an endowment policy. It is my intention to allow the dividends to stand, so that premiums will be paid for in about 15 years.

I have also looked into the Massachusetts Mutual, but they have not the 3-month period clause in their policy, though it is presumed that after 3 months the company regards one as being totally disabled, etc., and entitled to receive 1% per month of face value of the policy for life. These two companies appealed to me especially, though I give preference to the N. Y. Life. In your last issue you spoke of the Mutual of New York. Have they a policy like the New York Life? It is my intention to get out $8,000 to $10,000 20-Payment Life Insurance. My status is as follows: Single, 32, contemplating marriage in 1 year, salary about $2,500 per year with prospects of increase to $3,000 in next year or two, and outside income of approximately $500. I also contemplate getting health insurance giving $40 weekly sick benefits and accident insurance with a commercial insurance association giving $50 weekly benefits.

I desire insurance in a good strong, conservative company, the matter of a few dollars of higher premiums being considered of minor importance. The Massachusetts Mutual ordinary life policy is changeable into the 20-Payment Life, the difference in premiums being spread over the balance of years, during which it is to be paid. Would you suggest my getting one like this for $2,000 or $3,000?—C. H., N. Y. C.

All three of the companies mentioned in your inquiry are good, sound, reliable "Old-Line" companies, and you would be well protected and receive equitable treatment in any of them. It is a matter for your personal decision as to whether you should carry all your life insurance in one company, or divide it among several—so long as all the companies are as good as those you have mentioned. You may be able to obtain certain benefits or advantages in one company over another, which would influence your choice in taking additional insurance. Some men, on the other hand, prefer to place all their life-insurance business through one agent, relying on his advice and continued personal interest in this particular field of protective investment. The longer and more intimately the life-insurance agent knows you, the better is he able to judge of the kind and amount of protection you should carry to protect your family and business interests in event of your untimely death.

A 25 or 30-Payment Life policy would cost less than a 20-Payment Life, yet if taken at your present age, premiums under either of the former would be all paid up while you would still normally be in physical vigor—under 63. As you are contemplating marriage and your income is a modest one, it would be advisable for you to get as much protection on a permanent form as you could at the lowest rate. But the payment of premiums throughout life into old age is apt to prove burdensome, and, while dividends may be used to reduce premiums, it is unwise to try to forecast into the future regarding dividend returns. Unusual and unforeseen circumstances may develop, even under the best-managed companies, which would necessitate the lowering of the dividend scale, and thus altering your calculations as to the shortening of the pre-

mium paying period under a policy by application of dividend allotments.

WHAT EXTRA INSURANCE SHOULD HE TAKE?

He Now Holds $8,000

I am a married man with no children, age 35, salary $2,000, and other income $200, besides my wife having a trust fund made by her father, amount $8,000 with an income, without deducting trust expenses and taxes, of $480. I also carry an accident sickness policy for $5,000, sickness $80 per month.

I have $5,000 Ordinary in Northwestern Mutual of Milwaukee; $2,000 Ordinary in Mutual Benefit of Newark, and $1,000—20-year paid, taken out in 1909, with the Penn Mutual. Should you advise me to take out another $4,000 ordinary, making a total of $12,000?

I have been approached by an agent of the Indianapolis Life Insurance, and if his company is all right would like to let him write me, but I got into a poor company some years ago and I am awfully glad that I am reading THE MAGAZINE OF WALL STREET *and can write you about this matter and get a good wholesome reply. Before this man or agent came around had Mutual Life of New York in mind.—H. G. A., Valparaiso, Ind.*

You are at present insured in three good companies aggregating $8,000. Assuming that from $1,000 to $2,000 of the proceeds of these policies would in event of your death be absorbed by expenses incidental to sickness, funeral, and other items usual at such period, the coverage for your wife would be but about $6,000. I think it would be well, therefore, for you to take out the additional $4,000 you are tentatively considering, and if the policy is taken on the 30-Payment Life Plan, premium payments would be completed at age 65. Assuming that $10,000 of the proceeds of the life insurance you carry ($12,000 being the entire coverage with the additional $4,000) be invested for the beneficiary after all bills of the estate are paid, she would be able to count on an income of at least $500 a year, figured on conservative investment of 5%. This, with the proceeds of her trust fund, which yields an annual income of $480, would give her a modest competence for the remainder of her life.

It would be well to stipulate that the proceeds of the new $4,000 policy be paid in instalments, either for a given period of years, or throughout the life of the beneficiary. This would relieve her of the responsibility of investing the funds, and she would, in addition, receive an annual dividend on the instalments from the life-insurance company.

The Indianapolis Life Insurance Company of Indiana was incorporated under the laws of that state in 1905, and commenced business in the same year. It is a purely mutual company, and is controlled by its policyholders. A report on this company from a reliable source states:

"From the inception of the company its methods of management have at all times merited commendation. The company has had a steady and healthy growth. It has a sufficient surplus. Its actuarial methods are sound. Its investments consist mainly of mortgage loans on real estate, and yield a good return. The management expenses are reasonably low. The cost of new business is moderate. The mortality rate is low. Death claims are promptly paid. The policy contracts are on the standard forms and include disability and double indemnity benefits.

"Its admitted assets have increased from $27,373 in 1905 to $2,594,488 in 1921 (when the report was made); while its surplus has increased during the same period from $25,431 to $113,163."

The premiums of the Indianapolis Life are lower than those of the Mutual Life, but the published dividend schedules of the two companies show that the dividends paid by the Mutual Life are considerably higher than those of the other company. Either company would doubtless give satisfactory protection and meet all guarantees promptly.

IS $10,000 ENOUGH FOR HIM?

With No Dependents at Age 25

I am 25 years old, single, and no relations nearer than aunts and uncles. I have carried $10,000 war-risk insurance since being discharged from the Army, and only last month converted all of it into a Government 20-Payment Policy. In case of death my insurance will go to my estate.

Do you think this is the best policy for me, considering the fact that I have no dependents and not seriously contemplating marriage?

Do you consider a Government Policy superior to all others? Would you advise me

(*Please turn to page* 678)

Points for Income Builders

Definition of a Few Terms Frequently Heard in and Around Wall Street

Maturity All business credits are extended on a specific time basis. Thus, when a corporation borrows money from the investing public by means of an issue of bonds or notes, a definite period is set which the loan has to run.

The day and date upon which the loan becomes payable, and must be taken up by the borrowing corporation, is known as the "maturity date."

Bond borrowings are not always allowed to remain outstanding through the entire period covered by the terms of the loan. On the contrary, it is more and more the practice to effect such borrowings on a "callable" basis—that is, on a basis whereby the borrowing corporation is privileged to retire the loan at any time, after due notice, during the life of the loan. But if a bond borrowing is not "called in," prior to maturity, under the callable clause, it *must* be met at the maturity date.

Refunding

Corporations which have borrowed money from the investing public *via* the bond route are not always in the best position to return the funds borrowed when the maturity date rolls around. To do so may mean an undesirable depletion of their liquid resources and an undue hampering of their development programs. In such case, it is often the practice to issue new bonds, through whose sale funds are produced to replace those necessarily returned at the maturity of the original bond issue. This is, obviously, a *refunding* operation, and bonds so issued go by that name.

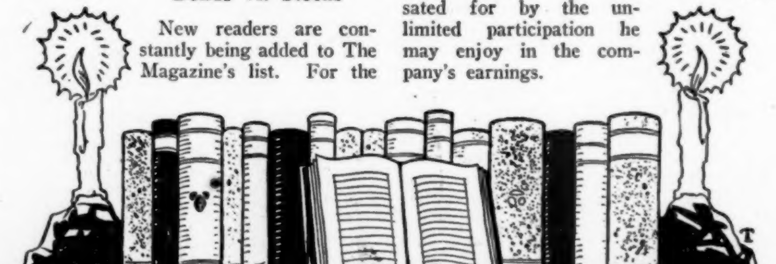
Bonds vs. Stocks

New readers are constantly being added to The Magazine's list. For the consideration of such new ones as have not seen previous discussions of the difference between Bonds and Stocks, the following is offered:

A Bond is an instrument of credit. It is a paper which acknowledges an indebtedness. Its holder has a claim upon specific assets of the issuing corporation during the Bond's life, and the corporation must pay the settled rate of interest on the Bond regularly or else forfeit title to the assets so covered. Hence, a Bondholder is a *Creditor* of the corporation, and has the rights of a creditor. Bondholders do not vote, however, and have no voice in the policies of a going concern.

A Stock is an evidence of quasi-partnership. It is a paper which acknowledges a right to share in such surplus profits as the directors of a corporation see fit to distribute in the form of dividends from year to year. It generally carries a voting privilege with it, which is to say, the privilege of participating in the election of the directors. But the corporation is not required to pay any regular amounts, in the form of dividends, on a share of stock each year; and the claims of a stockholder, in the event of winding up a company's affairs, are always subsidiary to the claims of its creditors.

Broadly speaking, it may be said that the man who buys a company's bonds is loaning money to that company, whereas, the man who buys its stocks is *purchasing an interest* in the company. Obviously, the stock-buyer's risk is far the greater of the two, a fact which is compensated for by the unlimited participation he may enjoy in the company's earnings.



If I Were Buying—or Building—a Home

4.—*Some Things I Would Look Out For Before Accepting "Easy Terms"*

By Jason Thomas

IN the last previous of these little talks to intending home-owners, I cited two fundamental rules for judging real-estate prices—rules which cautious buyers have been known to apply with good results in the past and which still hold water.

Let us assume, now, that our intending owner has applied these rules, or else that he has satisfied himself in some other way that the establishment he covets is fully worth the price demanded for it. His next task—and a very weighty task it is—is to decide what particular arrangements in the matter of *financing* his project it would be wisest for him to make.

Right here, let me inject a word of warning: Don't accept any terms offered you by the seller, or by some financing company, or by anyone else until and unless you have fully analyzed those terms and perfectly appreciate what obligations they fasten on you. Don't assume for a moment what, impossible as it may seem, has been assumed by many, many home-buyers, viz., that "the other fellow" is any more trustworthy and scrupulous in real-estate transactions than in any other kind of transactions. Don't let apparently *easy* terms—terms that seem to border on common philanthropy—mislead you. With few exceptions I think it can be said that the easier the terms are, the more probably there is something fundamentally wrong with the proposition!

Where possible, work up your own terms. If you don't know how to work up terms of your own, get some independent friend who knows the ropes to help you along. Where possible, enforce your own terms. If you can't enforce your own, be sure that the other fellow's are really acceptable and fair before going ahead. But KNOW WHAT YOU'RE DOING!

The Experience of Mr. B.

An experience one man of my acquaintance had is worth citing in this connection. Mr. Barnett (we'll call him that) had been existing in a 3-room cubbyhole in New York City for a year or so, paying no less than $115 per month rent for his "luxurious" accommodations. He was sick of it, as well he might be; and so was his wife.

There came a day when, after much desperate hunting, Mr. and Mrs. B. received a letter from a development company calling their attention to its offerings. "You can buy one of our beautiful 6-room

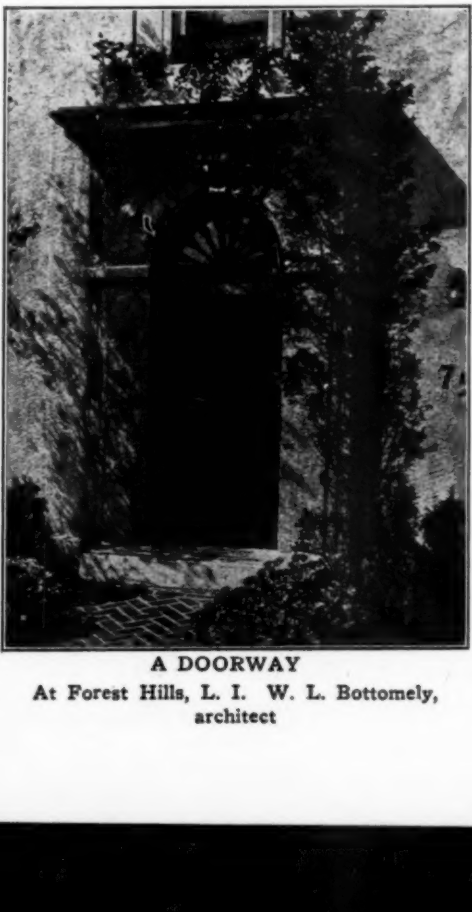
THIS IS THE FOURTH—

of a series of practical articles to appear here, dealing with the problems of home-building and home-buying. It is believed that, in each article in the series, the intending home-owner will find a very pointed suggestion or warning that will help him "keep out of trouble."

homes," said the main paragraph in the letter, "on an arrangement whereby we provide the capital while you only pay a limited sum each month toward the purchase price. We can offer you one of our most commodious homes at a buying cost to you of only $90 per month. How does *that* compare with the rent you are paying for your apartment?"

"Why, my *dear!*" cried Mrs. B., "that means we could get *twice as much home* for $25 *a month less money!* And a home in the country, too! And we'd be buying, not renting!"

Mr. B. was a young fellow who had to



A DOORWAY
At Forest Hills, L. I. W. L. Bottomely, architect

work pretty hard at a clerical job. His life hadn't sharpened up his wits much to speak of, and he was more or less ignorant (as most new home-buyers are) about the real-estate game. Anyway, he was just as much impressed by the terms of this offer as his wife.

The papers were signed, the first payment was made, and the B. family moved into their new quarters. So far so good. Then, one day Mr. B. had occasion to discuss the terms of his purchase with a friend. You may believe it or not, but **Mr. B.'s friend was actually able to show him where, by blindly accepting the development company's terms, he had let himself in for yearly carrying costs that were all of twenty and not far from thirty per cent higher than would have been necessary had the financing been done through a reputable financing organization.**

They Don't Give Away Credit!

Let me say this: Credit is a commodity, just as much as timber, or coal, or copper or automobiles or match boxes. When credit is offered "for sale," the same effort is made to get a high price for it as in the case of any other commodity. Now, when a man tenders you "long-term credit"—that is, loans you money and gives you several months or several years in which to pay him back, he is offering you credit on its most desirable basis. He is offering you credit on a time basis that would appeal to thousands of other persons beside yourself. It is obviously absurd to suppose that he would go through with such an offer on any basis except the most profitable to himself. He is not a philanthropist; nor is there any reason for imagining that he will single you out for a special dispensation. Manifestly, then, **the better his terms are from a time standpoint, the harder they will be made from a price standpoint.**

Another Angle of the Game

And, nine times out of ten, that is what you will find to be the case on homes offered for sale on easy terms. You will find that, although the charge per month may be small, the whole cost involved, including interest and, perhaps, "premiums," is likely to be excessively large. You may find that, after several years of "just-like-rent-paying," you have paid 30% or 40% more than you could sell your establishment for, even if

you were in a position to go into the "easy-terms" business yourself.

There is another angle to the "monthly-terms" idea which certain well-disguised loan sharks I know of might prefer less talk about here. The thing I am referring to is the practice these gentry make of getting buyers to assume terms which are just a *little* more than they can manage to afford—and then sitting back and waiting for the house purchased to come back to them under foreclosure—with obvious benefits to themselves.

The terms mentioned in the contract don't have to be too high, in themselves, to permit putting this sort of deal over. They can, in fact, be well within the buyer's "rent-paying" ability, and still serve their purpose. All the seller has to do is to "forget to mention" the additional expenses that accompany home-owning, as contrasted with apartment-house renting, and then, provided the buyer doesn't think of these additional expenses himself (and in an amazing number of cases he doesn't!) the trick is done.

For example: Suppose you have been paying $100 a month rent in the city for an apartment. Suppose that you undertake to buy a house, at *charges to the seller* of $90 per month. At first glance, things look pretty rosy, don't they? A home for $120 a year less money! Suppose—just for purposes of argument—that you snap up the "chance" in a hurry, for fear somebody else will get ahead of you, sign the necessary papers, make your first payment and move in. Things are still rosy.

Expenses Not Figured on

But then comes the first trip on the train—and the commutation ticket, costing at the rate of anywhere from $100 to $200 a year. You didn't have that to pay in your city dwelling! Then comes the tax collector and the tax bill of two or three hundred more. Didn't have that in your city dwelling, either. Then comes winter —it's bound to come, Shelley's question notwithstanding—and with it the coal bill, say about one hundred and fifty dollars, all told. The landlord took care of that while you lived in the apartment. Then come the insurance requirements. And then the water bill. And finally the repairs—many and sundry as they often are.

Of course, as a well-informed, wide-awake and sagacious man, you, friend reader, wouldn't overlook things like this. You would realize that such items, unavoidable and essential as they are, must always be counted in, along with the mortgage charges, as part of the carrying charges of a home-owning enterprise. But the type of development company I am referring to doesn't cater to sagacious men, or experienced buyers. It discriminates in favor of the less sophisticated and more credulous sort. And with such people, it is amazingly easy to gloss over "carrying charges" in such a way as to put them in over their heads.

"Putting the screws on" and thus forcing a man out of a proposition which is more than he can carry is, of course, a simple process after that.

Chat

By a Looker-On

WE have just had a letter from a man who slangily calls himself "the original hard luck guy." It seems he started out speculating in oil stocks, and such like, about a year ago. His "capital" consisted of the princely sum of $700. He calls it hard luck because, eleven months after his first trade his last cent went by the board.

This brother needs someone to set him straight. Anyone who is brazen enough to attempt speculating *when his capital consists of only seven hundred dollars,* and who manages to last eleven months isn't playing in hard luck.

He's doing wonders to last so long.

Somebody out on the Coast sent an inquiry to The Magazine a while ago, asking for such information as might be had concerning the capabilities of the weaker sex along investment lines.

This was the reply:

"We regret to say that we have no statistical information as to the part played by women in the investment world, nor have we ever made any special investigation of the average woman's ability to invest intelligently and successfully.

"It may be to the point for us to note this, however: A prize contest was conducted by this Magazine some months ago, in which the prize was to go to the reader submitting the most intelligent, helpful and progressive article along investment lines. The contest was won by a woman."

Wonder if a woman will win the next Contest?

There is much being said about the plight of our farmers. The drop in grain prices is pictured as spelling their doom.

The trouble must be that the farmers depend on one crop for their livelihood. Otherwise a drop in the price of one particular sort of commodity wouldn't be described as so fearsome a thing.

If depending upon one crop *is* the trouble, then the remedy is easy. The farmers can simply take a leaf from the investor's notebook, and *diversify* his commitments.

No investor in his senses stakes everything on one security—especially when that security is of a highly speculative type. He spreads his funds around to make up here what he may lose there. If the farmer would follow the same plan—putting in poultry, hogs, cattle, figs, grapes and what-not a portion of the funds he now places entirely in grain—his results should be very different.

Speaking of investment opportunities, the office-boy just put a letter on our desk sent us by one of the large investment-banking houses and containing a list of bank-stock offerings—about the last word in gilt-edged investments. We note with interest that yields of over 6% are offered by not a few of the issues listed, while practically none of them yields much less than that amount. *Verbum sap!*

Last issue, the B. Y. F. I. Department published an analysis of U. S. Treasury Certificates under the title "An Investment You Can't Go Wrong on!"

On July 25th, the following was received from Director R. H. Roraback, of the Second District of the Treasury Savings Organization:

"Your interesting issue of July 21 has just come to hand and I hasten to write you our appreciation of the splendid article you have given us on Treasury Savings Certificates.

"Those of your readers who are interested in an absolutely safe investment that 'Can't Go Wrong' should feel grateful to you for bringing these securities to their attention."

To charge more than 6% interest on money loaned is usury. To charge 6% interest, and exact a "bonus" of anywhere from 10% up is good business.

Which paradox may justify the practices said to be common in the second mortgage field so far as law is concerned, but doesn't justify them so far as home-builders are concerned. To exact more than 6% on money loaned, whether the additional exaction is called a "premium" or a "bonus" or by any other name is extortion to us just the same.

Banks can take a hint, or not take one, just as they prefer from the following fact: A few issues ago, the BYFI Department published an article entitled "How I Will Triple My Investment Holdings in Sixteen Years." It was a true story, written from life, by a reader of The Magazine. It told how, through a rather unique system of cooperation between this reader and his bank, the said reader was progressing with unusual rapidity over the Road to Independence. This is the point: **Following publication of the article, letters came to the BYFI Department from all over the country requesting the name of the bank from which this sort of cooperation was obtained.**

Readers, in large numbers, seemed surprised that such cooperation could be had. It was as though they never dreamed that a depositor could make such practical use of his banking connections.

It is possible that, even yet, the public uses than can be made of a bank are not yet fully realized?

Those who can't manage to save any other way might try buying a home on terms. It's remarkable how much home-owners can manage to stow away against the first of the month when it becomes a case of either doing the stowing or else forfeiting the roof over their heads!

Public Utilities

Columbia Gas & Electric Co.

A New Leader in the Public Utility World

What Management Has Done for Columbia Gas & Electric—Earnings and the Outlook for the Company

By JAMES N. PAUL

THE outstanding feature of the affairs of Columbia Gas & Electric Co. is the ability to sustain the same ratio of increased earnings each month this year over those of 1922. With the six months' earnings already published the June figures having just been announced, it is indicated that the company this year should be able to show net earnings of more than $7,500,000 after all charges and available for dividends compared with $5,081,000 which was the previous record established in 1922. While the increase during the first three months of this year over those of the corresponding months of 1922, was for a time, ascribed to unseasonably cold weather, ability to show the same ratio of increases over 1922 during the three months ended June 30 indicates that other causes must be sought to explain the increase. The answer is found in the factors of better control of operating expenses together with increase in the volume of business transacted.

COLUMBIA GAS & ELECTRIC CO.
Consolidated Earnings
(Six Months Ended June 30, 1923)

Gross earnings (Increased 16.08%)	$11,010,509
Net earnings (Increased 17.67%)	5,868,160
Other income (Increased 10.81%)	949,613
Total net earnings (Increased 16.66%)	6,817,773
Surplus for dividends (Increased 29.68%)	3,020,160
Earned per share on stock	$2.00

If, as is now indicated, Columbia Gas can show the 7.5 million dollars of net

West End Power Station of the Cincinnati Gas & Electric Co., operated under lease by the Union Gas & Electric Co., which is owned by Columbia Gas & Electric Co., a modern plant with a capacity of 120,000 Kw.

ACREAGE CONTROLLED BY COLUMBIA GAS

WEST VIRGINIA GAS & OIL FIELDS

	Total Acreage	Oil Rights Incl. in Total	Total Operated Gas	Total Operated Oil
United Fuel Gas & Subsidiary.....	801,890	529,991	64,613	11,790
Col. Gas & Elec..................	239,636	54,474	31,099	50
Total	1,041,526	584,465	95,412	12,040

this year, translated into smaller terms, it will mean between $5 and $6 a share on the 1½ million shares of no par value capital stock outstanding or about twice dividend requirements. Present dividend rate on the new shares is $2.60 annually.

It will be recalled that a recapitalization plan put into effect only a few months ago, replaced the old $100 par value shares with new no par value shares on the basis of three for one. Thus, the present dividend rate on the new shares is equivalent to $7.80 annually, compared with a $6 annual rate on the old shares. While spilt-ups and change of par value many times works out to the detriment of the stockholder, in this case the change seems to have been justified. For a public utility company, ability to earn dividend requirements twice over is well above the average.

A Bit of History

To understand the scope of operations of the company, a bit of history and outline of its activities seems in place. Chiefly through subsidiary companies, Columbia Gas & Electric Co. supplies gas and electricity to the city of Cincinnati and numerous municipalities adjacent to the city. This is done through the Union Gas & Electric Co. under lease from the Cincinnati Gas & Electric Co. Natural gas, electric and street railway service is furnished to several municipalities in Kentucky adjacent to the city of Cincinnati by properties under lease. Columbia Gas itself controls considerable gas and oil acreage in West Virginia. Another very important phase of the company's business is the United Fuel Gas Co. which supplies the greater part of the output and is controlled by a stock ownership of 51%.

The 800 odd thousand acres of gas and oil lands owned or controlled by United Fuel Gas Co. is so large and valuable a property that could probably not be duplicated or purchased regardless of price. An interesting story attaches to the acquisition of this property by Columbia Gas. The property for years was controlled by Standard Oil of New Jersey as an adjunct to its property, the Hope Natural Gas Co. Either the Standard Oil people did not realize the value of the property or they had an eye to the workings of the Sherman anti-trust laws. In any event, only as recently as 1916, Columbia Gas exchanged a 25% interest in the East Ohio Gas Co. for a 51% stock interest in the United Fuel Gas Co. Hope Natural Gas Co. and Philadelphia Co. are neighbors of United Fuel Gas operating in the West Virginia gas fields.

After all, cold earnings figures tell a more interesting story than any other phase of a discussion of a property. Briefly, for six months ended June 31, 1923, Columbia Gas & Electric reports gross earnings in round numbers of 11.0 million dollars, an increase of 16.08 over the corresponding period of last year. Surplus earnings after all fixed charges and available for dividends on the capital stock for the five months amounted to 3.9 millions, an increase of 29.68%. Figured on a share basis, actual earnings for the six-month period were equal to $2.60 a share. The greater increase in percentage of the surplus for dividends, compared with the gross, indicates better control of operating expenses and reduction of fixed charges.

Earnings, as shown in the accompanying table, on an annual basis, are equal to $5.00 a share on the stock. Had the present form of capitalization been in effect last year, total net earnings available for dividends for the full twelve months would have equalled $2.85 a share on the new stock.

United Fuel Gas

No discussion of earning power of Columbia Gas & Electric could possibly be complete without consideration of those of United Fuel Gas Co. The former owning 51% of the outstanding capital stock of the latter is entitled to 51% of the net earnings after all fixed charges are met. United Fuel Gas publishes neither balance sheet nor income account. The large equities owned by Columbia Gas are never disclosed to public inspection. Contrary to the usual practice, in making its income account, the parent company shows only sums actually received in the form of dividends. The item "other income" in the income account for five months represents dividends received from the United Co. However, for the five months to May 31, a glance at the United Co. income account showed a balance after all dividend payments and fixed charges of close to 2 millions of dollars. Thus, the parent company in this period was richer to the extent of 51% of this amount which appears nowhere in its own income account but which should prove a valuable asset in time.

The "Steptoe" Act

Most of us are familiar with the so-called "Steptoe" Act passed by the Legislature of West Virginia which has just been declared invalid by the United States Supreme Court. This law was passed some time ago and prohibited exportation of gas without the state until local consumption had been entirely satisfied, and contained several other ramifications onerous to the gas companies. The court of last resort a few weeks ago declared

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THE RECORD OF COLUMBIA GAS

	Gross Earnings	Net for Div'ds	Earn. a Share on Stk.
1914......	$7,810,215	$296,033	†$0.59
1915......	8,044,532	380,639	0.76
1916......	9,058,252	1,157,476	2.31
1917......	10,861,321	2,159,238	4.32
1918......	11,538,772	2,546,318	5.09
1919......	11,950,273	2,446,636	4.89
1920......	14,616,743	3,991,357	7.98
1921......	15,232,964	3,455,516	6.91
1922......	18,592,694	4,233,581	8.47
*1923.....	22,000,000	7,500,000	†5.00

* Figures for 1923 are estimated, based on earnings for 6 months.

† Earnings per share for nine years are on basis of 500,000 shares capital stock outstanding, par value $100. The 1923 estimate is based on 1,500,000 shares, no par value now outstanding.

Laclede Gas Light Company

Can 7% Dividend Be Maintained

The Rate Situation and Effect on Earnings—Outlook for Company's Securities

By JAMES E. HALSTED

THE Laclede Gas Light Co. does the entire gas business in the City of St. Louis, Mo., the sixth largest city in the United States, with a population in 1920 of over three quarters of a million.

The company was incorporated in 1857 and operates under a special charter, granted in 1857 by the Legislature of the State of Missouri, which charter is perpetual, and the validity of which has been established by the Missouri Supreme Court. The company has a record of 65 years of successful operation.

From the name one might think that the business of Laclede Gas Light would be declining because of the increasing demand for electric light at the expense

of gas lighting, but the name is a heritage from the period when the company was formed, at which time gas lighting was universal with the exception of the old kerosene lamps.

As a matter of fact, the business of the company has steadily increased (as shown by the table), due to the use of gas for cooking, heating and for industrial purposes. The company also sells electricity, which contributes about 10% of its gross receipts.

The table vividly illustrates the condition in which the public utility companies found themselves during the inflationary period, with mounting operating costs and belated recognition of this fact on the part of the regulatory bodies in allowing them to increase rates.

However, the rates of Laclede Gas Light were increased April 8, 1921, from 85 cents to $1.05 for the smaller users and the others in proportion. This caused a sharp upturn in net income during the year. Furthermore, in 1922 the company was able to get somewhat cheaper coal, during a part of the year at least, and was also benefited by an increased industrial demand for coke, the company's principal by-product.

In December, 1922, a decrease in rates was granted to large industrial users which it was estimated would reduce annual revenues about $182,000. It is expected that part of them will be made up by lower operating costs. The company is in a strong position and earnings are apparently stabilized.

The Securities

The Refunding and Extension 5% bonds, due April 1, 1934, are a closed first mortgage on the entire property now owned or hereafter acquired. There are $20,000,000 of these bonds issued (one-half being pledged under the 1st Col. & Ref 5½s). Even in the year 1921, which was the hardest for the company, the interest on these bonds were earned one and a half times after making allowance for reserves. In 1922, this interest was earned two and a half times. These bonds are entitled to a good investment rating and at about 92 with a yield of 6% they should be attractive to conservative investors.

The $17,500,000 First Collateral and Refunding 5½% bonds, due 1953, are secured by $10,000,000 of the above issue. It is interesting to note that this 5½% issue was put out in February, 1923, to retire a 7% issue six years before maturity. This shows the changed money conditions and the improved credit of the company. It has been stated that this refinancing will result in an annual saving to the company in excess of $140,000.

Because of the security back of the bonds, the stability of public utility earnings in normal times, and the better outlook for the company, this issue at 90 on a 6.40% basis offers a good investment. The equity back of this issue is shown by the fact that the $2,500,000 5% preferred stock has paid dividends regularly since 1898 and the common stock is on a 7% basis and paying extra dividends.

In connection with these two bond issues outstanding to the amount of $27,500,000, it is important to note that the public utility commission has given a tentative valuation to the property of $30,000,000. This figure is probably too low and has been objected to by the company which determined on $43,000,000 as the original cost and $59,000,000 as the reproduction cost. It is likely that these latter figures are above what will be finally used for the purposes of making rates, as they generally result in a compromise.

NET EARNINGS FOR LACLEDE COMMON

(Comparative by Quarters)

1921	1st Qt., Deficit	$293,989
	2nd Qt., Deficit	40,376
	3rd Qt., Surplus	4,817
	4th Qt., Surplus	10,237
1922	1st Qt., Surplus	136,029
	2nd Qt., Surplus	326,321
	3rd Qt., Surplus	229,490
	4th Qt., Surplus	*409,087

* The earnings for this quarter were reduced to $272,805 because of an additional write-off for "Reserve for Replacements" of $136,282, which was an adjustment for the year.

THE LACLEDE GAS LIGHT COMPANY

Number of Customers and M. Cu. Ft. Gas Sold

	No. of Customers	Cu. Ft. Gas Sold
1910	130,414	4,677,513
1911	136,570	4,753,601
1912	140,866	5,022,548
1913	148,709	5,091,218
1914	151,332	5,205,345
1915	153,941	5,157,648
1916	160,043	5,159,903
1917	164,390	5,756,277
1918	167,766	5,939,619
1919	172,216	6,209,832
1920	177,650	6,384,438
1921	179,243	6,546,700
1922	183,245	6,714,931

The $10,700,000 outstanding common stock of $100 per share paid dividends from 1898 to 1910 at rates up to 6%, from which time it paid 1¾% quarterly until March 15, 1919. In September, 1922, dividends were resumed at 1¾%, with 3½% in December, 1922, 1¾% March, 1923, and an extra dividend of 3½% in addition to 1¾% was paid July 5th, 1923.

Conclusion

While it cannot be conservatively expected that extra dividends will continue, it would appear that the 1¾% quarterly dividend is comparatively certain unless something very unexpected happens. At present prices of around 80 the stock gives a return of 8.8% to 9% and can be considered a good purchase by those who can afford to take some risk and have the time to watch their holdings.

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Announcement
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LACLEDE GAS LIGHT

11-YEAR ANALYSIS OF INCOME ACCOUNT

(Years Ended December 31—Amounts in $1,000)

	Gross Earnings	Net for Interest	Interest	Times Int. Earned	% Earned on Com.	% Paid on Com.
1912	$4,444	$2,039	$1,015	2.01	8.40	7
1913	4,533	2,054	1,055	1.94	8.16	7
1914	4,629	2,105	1,103	1.91	8.20	7
1915	4,577	2,231	1,117	2.00	9.24	7
1916	4,509	2,446	1,162	2.10	11.21	7
1917	4,600	2,247	1,204	1.87	8.58	*7
1918	4,946	1,854	1,244	1.49	4.53	7
1919	5,531	1,875	1,608	1.17	1.32	1¾
1920	6,533	1,942	1,680	1.15	1.28	..
1921	7,137	1,536	1,740	.88	....	..
1922	7,869	2,796	1,707	1.63	9.01	5¼

* Also paid an extra 10% cash dividend.

Petroleum

What of the Standard Oils?

Is it Time to Buy Them?—Why the Oil World Is in the Dumps—Brief Discussion of Four Leading Standard Oils

By CARLTON WILLARD

"IF you were limited to a single investment to hold for yourself and to deliver to your posterity which would you choose?"

"One of the Standard Oils?"

"Why?"

"Because of their records and prospects. They seem to me to afford an ideal combination of the three primary requisites of successful investment; safety, yield and marketability. Other securities may make a greater immediate return and have readier markets, but these factors are not so important to one who buys to put away. In my opinion the outlook for long-pull profits more than makes up for any shortcomings in immediate yield and marketability."

The foregoing is the substance of a recent conversation between the writer and an investor who has something of a reputation as a shrewd "picker" of sound securities. Whether one agrees with this viewpoint one must admit that it is substantiated by the records of the leading Standard Oils during the last quarter of a century. Any one of them could have been purchased at any time in the last twenty-five years and, if *held*, would show today very substantial, and, in some cases, very large profits. In view of the recent market weakness a survey of the oil situation and the position of the leading Standard Oils is in order.

The new home of Standard Oil Company of New York, now in course of construction upon the site of the present office building at 26 Broadway, New York City, has been described by the press as one of the largest and most imposing structures of its kind in the world. It will have a floor space of more than ten acres

STANDARD OF CALIFORNIA'S RECORD

	1918	1919	1920	1921	1922
Net income	$14,953,074	$31,062,768	$41,655,254	$33,588,231	$27,019,814
Cash divs. paid	12,421,664	13,415,397	13,912,264	15,499,546	16,285,660
Surplus for year	2,531,410	17,647,371	27,742,990	18,088,685	10,734,154
Previous surplus	15,272,378	17,810,634	58,117,168	122,303,707	134,679,534
Total surplus	17,803,788	35,458,005	85,860,158	140,392,392	145,413,688

A Bumper Oil Harvest

There is, perhaps, no industry in which definite predictions are more futile than in the oil business. As President Teagle of the Standard Oil Co. of New Jersey once remarked, there is always something new in oil. The unexpected is the usual. Anyone who undertakes to say what the position of the oil industry will be a year from today immediately stamps himself as a guesser with the chances much greater in favor of being wrong than right. The present situation of the oil industry is a case in point. Not much more than a year ago the cry was raised that the Mexican oil fields were on the decline. Where was the world to continue to get its supply of light crude? Futurists wagged their heads and hinted darkly at dollar gasoline. Yet the year 1923 is seeing a bumper oil crop with stocks the largest in the history of the industry and wholesale price lower than in years. In fact, there is something like a panic among oil producers. The reasons are few and obvious:

1—The great flush production of California,

2—Slower decline than expected in Mexican output,

3—Seasonal consumption retarded by unfavorable weather,

4—Unduly stimulated refinery output.

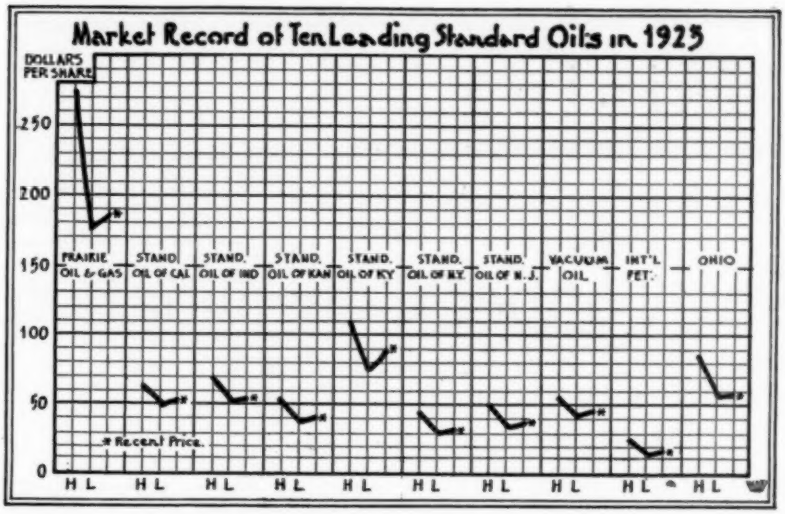
California is now producing about 835,000 bbls. of high-grade oil a day. The greater part of this output comes from the three fields of Santa Fé Springs, Huntington and Long Beach. Most of the wells are deep, going down more than a mile into the bowels of the earth. The minute the gas pressure begins to decline the entire oil situation will change, perhaps overnight. The additional cost of pumping the oil will mean a sharp advance in the price of California crude. California "flush" will no longer menace the market. When the peak of flush production will be reached is anyone's guess, but well informed oil men estimate that it will be before the end of the current year.

California versus the Cushing Pool

The present situation is analogous to that when the great Cushing pool unsettled the oil marts in 1914. The Cushing pool dumped a flood of the highest-grade oil ever produced on a bewildered oil world. Output ran as high as 300,000 bbls. a day and many believed that the doomsday hour of the oil industry had struck. So it had for many light-waisted producers. Crude sold as low as 25 cents a barrel and gasoline at 10 cents a gallon. Yet the Cushing pool today is producing only 26,000 bbls. daily from 2601 wells, or an average of about 10 bbls. per well.

Oil Industry Delicately Balanced

Few realize how delicately balanced is the indicator of the oil industry, *i.e.* prices. At present the dial is on "Depression," but it would take astonishingly little to turn it upwards. There are approximately 283,000 oil wells in the United States. Select 500 and close them down and there would be a shortage. Take another 500, carefully selected, and there would be little production left.



Yet the factor of consumption is a dependable one in that the average of its movement is ever upwards. The Oil Age has succeeded the Steel Age even as the latter post-dated the Iron Age. In 1920, consumption totaled 575,000,000 bbls. of petroleum products yearly while now it is running well above the 700,000,000 bbls. yearly rate. Gasoline consumption has reached the astounding annual rate of nearly *seven billion gallons.* Commenting on this one of the best posted students of the oil industry said to the writer:

"It is both astonishing as well as incomprehensible to me where all the gasoline is going. Production appears to beget consumption. We have the satisfaction of the assurance that the present depression will serve as a stimulus to consumption which will greatly benefit the industry in the long run."

The talk of a concerted downward price movement by the "big fellows" for the purpose of ham-stringing the "little fellows" is pure bunkum. The oil markets are swayed by economic forces far greater than any man or group of men. Much of the products of petroleum are now being sold by big and little fellows alike at or below cost of production. The cracker-box exhorter must have his theme, nevertheless. When oil prices are down the smaller producer is being squeezed and when up it is the consumer who is being gouged. That's all right if you like that sort of thing.

STANDARD OF CALIFORNIA

Whatever havoc the California oil fields have created in the oil markets of the world, the stockholders of the Standard Oil Co. of California have no cause for complaint. Incorporated in 1879 as the Pacific Coast Oil Co., which name was changed to the present title in 1906, the company has not only been on the spot but has been financially equipped to take advantage of the opportunities afforded by the spectacular developments in the Sunset state. Since 1901, the authorized capitalization has been increased from $1,000,00 par value, to $250,000,000 par value. Of the authorized 25,000,000 shares of stock, par $25, all but 320,000 shares are outstanding. The astonishing increase in the company's earnings since 1918, are shown in the accompanying table.

The Standard Oil Co. of California has been put together very much with an eye to the future. It owns the entire capital stock of the Richmond Petroleum Co. which leases 25,000 acres in the island of Luzon, Philippines, upon which two wells are drilling, the Richmond Petroleum Co. of Mexico, which leases 58,796 acres in the Tehuantepec district of Mexico, the California Co., which operates in Montana and Texas, and the California Standard Oil Co., which operates in Montana and Texas and the California Standard Oil Co. which operates in Ecuador where 25,000 acres of oil land are under lease.

The Latin America Petroleum Co., controlled by the Standard of California, controls through a subsidiary 600,000 acres in the Carmen and San Jacinto districts of Colombia.

The Huntington Beach Co., of whose 300,000 shares the Standard of California owns 62.3%, owns 1,538 acres of land, the oil rights of 1,263 acres being under lease on a royalty basis. In addition to the above a new subsidiary, the Sociedad Anonima California has been formed to operate in Argentina where prospecting permits covering 9,880 acres of land have been obtained. In addition to stock in other companies, Standard of California holds extensive acreages in the state of California, operates two main systems of pipe lines with a daily capacity of 181,000 bbls. and operates three refineries with a total daily capacity of 160,000 bbls. of crude oil.

The stock of Standard of California has recovered only a few points from the low of the present year. At this writing, the dividend return is slightly less than 4%, but that the return is so low, is an indication that its prospects are regarded highly by investors. **Dominating the Pacific Coast regions, with ample financial resources and conducted on time-tested business principles, the stock offers exceedingly attractive possibilities as a long-term investment.**

STANDARD OF NEW JERSEY

Largest, one of oldest and with its stocks actively traded in upon the floor of the New York Stock Exchange, the Standard Oil Co. of New Jersey naturally occupies a very important position on the financial stage. It will be recalled that for years the elder Rockefeller sternly repressed all efforts to "make a market" for Standard Oil securities, and it is only a little more than three years ago that the securities of this company made their initial bow on the Big Board. The day of listing, March 20, 1920, marked the changing of the old order to the new. The increasing number of stockholders and the widening scope of the company's business demanded that there be an ever-ready market for its securities and this demand had to be met.

Standard of New Jersey has approximately 20,000,000 shares of common stock outstanding, par $25, and 2,000,000 shares of 7% cumulative preferred, par $100. The total authorized capitalization is $825,000,000 par value of stock with no bonded indebtedness.

This industrial colossus controls, through its subsidiaries, upwards of 3,500,000 acres in the Appalachian, Mid-continent and Gulf regions, with a developed production of upwards of 85,000 bbls. daily. It has interests all over the world, including Holland, Belgium, Germany, France, Spain, Italy, Switzerland, Mexico, Norway, Sweden, Denmark, Iceland, Can-

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STANDARD OF NEW JERSEY'S RECORD

	†Net Income	Earned on com.	Paid on com.	Paid on com.	Surplus for Year
1922	$46,242,486	d32.64%	$19,842,485	20%	$12,544,746
1921	33,845,930	20.31%	a19,767,676	20%	a310,892
1920	164,461,409	153.24%	19,667,660	20%	131,026,357
1919	*77,985,685	77.72%	19,667,660	20%	56,767,125
1918	57,918,658	56.90%	19,667,660	20%	38,250,998
1917	81,415,945	82.79%	19,667,660	20%	61,748,285
1916	70,792,059	71.99%	19,667,660	20%	51,124,309
1915	60,777,243	61.80%	19,667,660	20%	41,109,583
1914	31,457,634	31.99%	19,667,660	20%	11,789,974
1913	45,691,869	46.46%	b59,002,980	b60%	c13,311,111

* Includes proportion of income of affiliated companies before deducting Federal taxes.
† Includes proportion of income of affiliated companies after deducting Federal taxes.
a Estimated.
b Including $40 per share (40%) made from repayments by former subsidiaries of cash which had previously been advanced by the company.
c Deficit.
d Based on average amount of common stock on which cash dividends were paid.

Mining

Kennecott Copper Corp. | **Utah Copper Co.**

Outlook for New Copper Consolidation

Kennecott Copper Group a Major Factor in Industry —Benefits Obtained by the Combination of Mines

By GREGORY MARSTON

THE recent acquisition of the control of Utah Copper by Kennecott through exchange of shares marks a further big step in the steady advance which brought Kennecott from its organization in 1915 to a position today where it vies with Anaconda for the supremacy of the copper world. Kennecott today is the center of a group of five major copper companies, with their subsidiary, steamship, railroad and other enterprises. Outside of the parent corporation, they include the Braden properties in Chile, Utah, the Nevada Consolidated mines, controlled by Utah, and the Mother Lode Coalition mines, neighbors of Kennecott's Bonanza mine in Alaska.

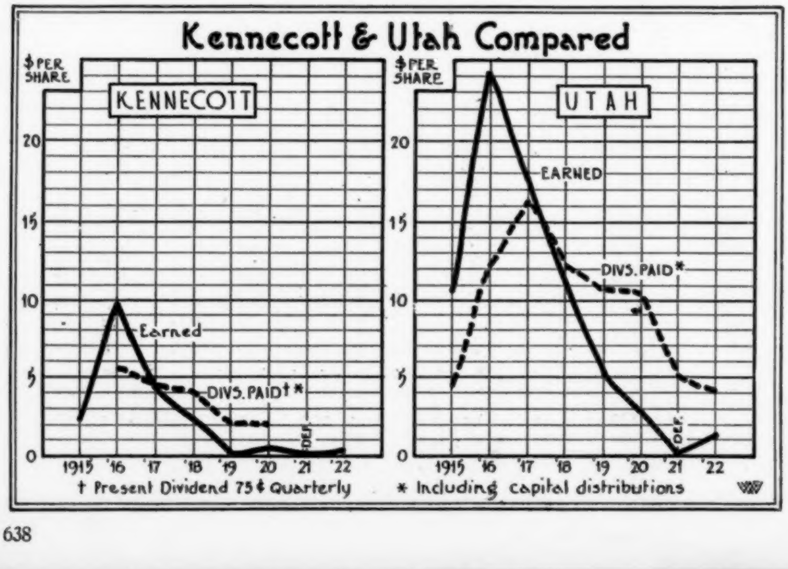
This group represents an actual production of some 540 million pounds annually, and a potential production, without addition to present equipment, of some 640 millions. The ore reserves are hard to state, because of the reticense of Kennecott and Mother Lode, but the other three have proven reserves of 690 million tons of ore, and a total figure close to a billion would probably not be far out of the way.

These tremendous mineral riches are flung over the whole Cordilleran range, which parallels the western coasts of the American hemisphere. The geographical diversification thus obtained is an important factor in lowering transportation costs, particularly in the Oriental and South American trades, which are the coming fields of American export business. Copper ores and concentrates are so heavy in proportion to their value that freight costs are a great consideration in handling them, and a difference of a few dollars a ton may make all the difference between successful and unsuccessful competition.

Diversity of Ore Values

Along with this geographical diversification, however, Kennecott has also a wide range of ore values. At one extreme are the huge masses of porphyritic ore of Utah, say, which can be blocked out for years in advance, and show but little variation in copper content. This kind of copper mining shares comparatively little in the normal risks of the copper business, and in fact more closely resembles a manufacturing operation in the continuity of its business and the fact that it can be foreseen so far ahead. These ores range from 1.35 to 2.26% copper. At the other end are the fine chalcocite deposits of Alaska, which Kennecott controls, some of which contain as high as 70% copper. These ores are tremendously rich and their production costs per pound are the lowest known to the industry, but like all vein ores, occurring in more or less discontinuous masses, they involve the element of risk because no one knows very far in advance at what point a particular ore body which is being worked may be exhausted, and how far it will be necessary to bore through unproductive rock before the next big ore body is reached.

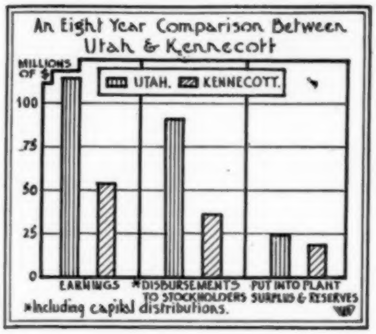
In the same way, Kennecott's properties cover a wide range of labor costs, which are a great factor in cost of production. In Alaska labor is scarce, and the mines must compete for their labor supply with cheap land and the opportunities which hunting, fishing, agriculture, etc., offer. In the Western States, labor is somewhat more abundant, but is apt to be high-priced, erratic and undependable. In South America labor conditions are the most favorable for the company, as labor is cheap, reliable and abundant. This is one of the reasons for the very low production costs of big, well-managed South American mining properties.



It is evident that with all this wide range of distribution, ore value and labor conditions, it is difficult and not very useful to talk about the "production cost per pound of copper" of Kennecott's properties. One would have to lump into this figure ore of the highest grade from Alaska and low-grade ore that could not have been worked at all twenty years ago, expensive American labor and cheap South American labor, and varying transportation costs enter into the situation as a further complication.

We should probably get a better idea of the real situation by going over the individual properties one by one, in their relation to Kennecott, and then estimating from the combined result whether Kennecott is or is not a bargain at present prices, and similarly whether Utah is or is not cheap.

Kennecott's own mining properties are in Alaska, three miles from the



town of Kennecott. They are in two groups, the Bonanza and the Jumbo mines, the ore in which ranges from 12 to 70% copper. The development of these mines is estimated to have cost 20 million dollars. In addition, the company owns 90% of the capital stock of the Beatson Copper Co., operating close to the great natural port of Tidewater, near Latouche Island. This ore runs to a lower grade than the Bonanza and Jumbo ore, but averages about 7.3% copper, with a good silver content.

These properties produced last year over 44 million pounds of copper, whereas before 1915 they had produced from 17 to 28 million. The highest point ever reached was during the war demand of 1916, when they turned out 10¾ million pounds in a single month.

It is worth noticing, however, that last year the company sold 63.6 million pounds of copper, or nearly 20 millions more than it had produced during the year. As a result, the company has worked off all its inventories of surplus refined copper and no longer has any capital thus tied up.

This copper was produced last year at a cost of 8.67 cents a pound, working on ore of an average grade of 5%. It will be seen, therefore, that the company has been mixing in large quantities of poorer-grade ore with its high-grade material, and thus that its potential earning powers are even greater than those here indicated.

Mother Lode Coalition's Properties

The Mother Lode Coalition mine adjoins Kennecott's Bonanza property. Because of this fact, the Mother Lode mine is able to use to great advantage many of Kennecott's facilities. Its property is connected with Kennecott's by a tunnel, so that its ore is shipped through Kennecott territory and is concentrated at the latter's mills.

Kennecott owns 51% of the 2½ million shares of Mother Lode stock outstanding, on which it is receiving dividends at the rate of $1 a share annually. The property is considered fully as rich as Kennecott's, and went through 1921 without a deficit. In addition to dividends, Kennecott receives considerable revenue from the company through its contract for ore treatment on the same basis as the charges made for Kennecott ores.

Utah's Exchange of Shares

Kennecott has had a substantial interest in Utah ever since 1915, when it acquired over 400,000 shares of the latter stock by exchanging its own shares for it at the rate of 1½ Kennecott for one Utah share. Since then it has bought about 200,000 shares at various times in the open market, so that at the end of 1922 it had over 616,000 shares out of Utah's 1,620,000, or some 38%. Early this year an offer was made to Utah stockholders to exchange their holdings for Kennecott stock at the rate of 1¾ Kennecott for one Utah share.

Holders of about 610,000 Utah shares accepted the offer, so that Kennecott now controls some 75% of the outstanding stock. Kennecott itself issued an additional 1,067,500 shares of its own stock to effect the exchange.

Utah has long been known as the largest and probably the most successful of the "porphyry" coppers, who mine the large blocks of uniform low-grade secondary copper ore described above. Its actual production is about 200 million pounds a year, which could easily be raised to 225 millions should conditions warrant it. Its ore reserves are estimated at 363 million tons of copper, of an average grade of 1.35%, which is high enough for economical operation. This represents somewhat less than nine years' requirements at the rate of last year's consumption, but there is little doubt that further development will show much larger deposits to be available when necessary.

The net cost of production last year was about 11½ cents a pound, but in this connection it must be remembered that the mines were shut down for most of the early part of 1922 because of the unsatisfactory state of the copper market, and that on the whole the mines ran at less than 50% of normal operations. In view of the large overhead which is associated with porphyry copper production, there is little doubt but that the present scale of output is being turned out at a much lower cost.

Utah's Great Success

Utah's financial success is sufficiently indicated by the attached graph of earnings and dividends over a period of years, and by its strong financial position at the end of 1922 after a twelve-month shut-down beginning April, 1921. At the end of last year it had current assets of 19 millions, including nearly 3 millions in cash and 6.3 millions of marketable securities. In addition, like Kennecott itself, it has large railroad and other holdings necessary for its operations. Against these it had only 5 millions of current liabilities, all of a routine nature, and involving no bank loans.

The 1,624,000 shares of stock of $10 par outstanding constitute its only capital liability.

The company is undoubtedly a very strong one, and in view of its record the yield of 6.7% on the $4 dividend rate now being paid, at current prices around 60, is attractive. It will undoubtedly be benefited by the more intimate connection with Kennecott which has just been inaugurated, but we shall present in a few paragraphs reason for thinking that the stock of the latter company is at the present time the better bargain for intending investors in copper stocks.

Through the control of Utah, the Kennecott group obtains control of over 50% of the 10 millions of par value of the Nevada Consolidated Copper

(*Please turn to page* 665)

Ewing Galloway

The Great Mining and Smelting Plant of the Braden Copper Co. in Chile. Kennecott has a 99% interest in this concern.

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·OF·
·THE MAGAZINE OF WALL STREET·

IN THE BANKING WORLD

Conducted by
H. Parker Willis

Discussions of Current Problems and Reviews of Recent Events Conducted in the Interest and for the Use of the Banker Readers of THE MAGAZINE OF WALL STREET

Mr Willis Was Formerly Secretary of the Federal Reserve Board Later as Director of the Bureau of Analysis & Research. He Developed the Board's Present National System of Financial Reporting

A Question of Paramount Importance:

If the Price of Wheat Were Fixed—

How It Would Affect Banker and Investor

AGITATION now in progress with respect to the proposed establishment of a fixed price for wheat, through legislation on the part of Congress, is of first-rate importance to every banker and particularly to every country banker. Current discussion of the subject seems to proceed on the assumption that the matter is primarily political; or else, at most, significant from the standpoint of the income and outgo of the government. This, of course, ignores the circumstance that the fixing of prices or "valorization," as it is frequently called, will be intended chiefly to make bank borrowing easier and safer with wheat as collateral, and in any case is not likely to be very successful without bank aid.

Experience with valorization of this kind was had on a large scale in Australia during and after the war, while a more limited sort of experience resulted from our own wheat-price fixing efforts.

Suppose the wheat crop amounts to 800,000,000 bushels worth, if not interfered with, say $1 per bushel at present values. Suppose further that Congress should, as requested, fix a price of $2.25 per bushel. This would be a difference of $1.25 per bushel or $1,000,000,000 in round numbers to be obtained from some source. If all wheat should be sold to the government it would be purchasing something worth $800,000,000 at market prices for $1,800,000,000, and unless it could itself raise the market price in some way it would have to pay the difference out of its own funds. This would mean either fresh taxation or borrowing in an equal amount. In such a case, the public would be able to estimate the actual cost of the undertaking and to decide on a business basis whether to proceed with such an experiment or not. Unfortunately, it has rarely if ever, happened that such undertakings were begun or prosecuted on any such simple and comprehensible basis as this. Therefore, the public (and the banks) often feel that a valorization scheme is costing nothing, or only a small sum, when in fact the expense is tremendous but is being carried in a concealed form by the banks.

The practical working of the fixed price scheme is something like this: The government announces that the price per bushel is, say, $2.25 and that it will stand ready to buy any eligible grain offered it at that price. This results in one of two situations: (1) either the government is then obliged to take (and pay for at the standard price) all surplus grain (grain above actual home consumption); or else (2) the government "guarantees" any buyer or holder of grain that it will relieve him at the fixed price whenever requested to do so.

The latter is the usual course and the necessary concomitant of it is the making of arrangements with the banks, whereby the latter will lend on warehouse receipts or Government certificates up to a determined percentage of the fixed price. This plan was fully worked out in Australia. There the wheat was turned in to the Government, which issued a certificate; and the farmer thereupon went to the bank and got about 80 to 90 per cent of the nominal value of the wheat indicated by the certificate. The banks thus became the holders of the wheat, carrying it along on security for loans made to the growers and which the latter had no intention or ability to pay pending the time when the wheat was actually "called" for consumption. These loans were clear "inflation," because they represented "values" that had nothing behind them but a government guarantee. In this country, we financed a good deal of the wheat by government loans—that is we gave (technically "loaned") to foreigners funds with which to buy wheat. The foreigners got the grain through our Grain Corporation and paid the latter with the amounts advanced by the government. Then they shipped the wheat abroad, leaving the government their notes or bonds.

Our government issued Liberty bonds in order to get the funds to advance to these foreign buyers. Our banks took the bonds (either buying or lending on them), and at the close of the operation were fairly water-logged with them; just as the Australian banks were water-logged with wheat certificates at the close of the war. In either case an enormous amount of fictitious credit had been "manufactured," and the banks had been correspondingly weakened.

Of course, as the grower received his payment without waiting for consumers or markets to demand wheat and without the slightest necessity of allowing for or negotiating credit, he early got into the habit of regarding his output as practically equivalent to actual money. He began to cultivate the maximum acreage available, to give up diversification of crops, and to adopt cheap methods of cultivation without regard to the effect on his soil. In this way, he got the greatest amount of money that could be had, and so promptly spent it. Instead of reducing acreage where possible in order to eliminate "valorization" requirements, he expanded and enlarged acreage thus tending to increase the surplus. During the war, there was no serious objection to this sort of expansion, because the whole effort then was to get the greatest amount of foodstuffs in those parts of the world that were not suffering from actual, local war. But in other countries, where "valorization" of various products has been tried, such as hemp, rubber, and coffee, the rapid expansion of acreage and product under the influence of this sort of subsidy has uniformly been so great as to necessitate either government interference to cut down acreage,

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or else eventual abandonment of the whole scheme due to the terrific strain on the finances of the nation.

The bad consequences inflicted upon the soil itself, upon other phases of agriculture, and upon the general position of banking have quickly proven altogether too much to be permitted to continue.

Among the most dangerous of the conditions created by growth in the volume of advances on price-fixed products, has uniformly been the development of exorbitant or speculative land values. Farmers who owned productive land have promptly re-capitalized it on the basis of the values set by the government. These values have apparently, in almost all cases, been regarded as permanent, the idea that the price could ever go back to a normal or competitive figure being rejected as too much out of the question to be thought of.

Hence grew up an artificial movement of land values, like that which in 1920 had put some middle-western lands up to $400 and $500 per acre. As land was rapidly transferred from one buyer to another, banks, at first hesitant, were gradually drawn into the speculative movement and shortly were overloaded with obligations based on, or "secured by" lands overvalued to double or treble their original worth. Of course, the later buyers, who took over the lands at the high prices, were no better off by reason of the government price-fixing than the original owners who were subject to competitive price-fixing, had been. They were burdened with tremendous "capital charges" (interest on mortgages on land at absurd values, or on investment of their own in such land), and these charges ate up the advantage growing out of abnormally high prices under government regulation.

In every country, by the time that a speculative mania following upon price-fixing reaches such a stage as is thus contemplated, the banks are about as badly involved as the land owners. They are the holders of large quantities of paper "secured" or based on the surplus crop yield which has invariably grown instead of diminishing, and which is, accordingly, no real protection whatever. Such paper is hopelessly "frozen," because the products cannot be disposed of at all without breaking their price, while the government, even if pledged to buy the grain, usually has to pay for it by letting a Grain Corporation obtain bankers' acceptances issued in behalf of the organization or in some similar way.

Rarely does (or can) the government come to the rescue by simply buying and paying for the grain at the agreed price; and even when it does, the burden of the withheld stock, resulting from successive surpluses, grows heavier year by year, eventually proving more than the Treasury can carry. The banks thus get into a more and more precarious position as time passes. Moreover, the presence of long-term frozen loans, made as a result of land speculation based on artificial values resulting from excessive prices for the produce, is absolutely without relief, for the government has no responsibility for any such speculation, and, of course, cannot be expected to assume any. In this way, it is soon evident that the entire financial structure is in danger.

In view of the clear indications of past experience, it is surprising to find that not a few country bankers are in favor of the price-fixing plan. They take that point of view because they believe, in many cases, that the new plan will help their clients, or will enable the latter to pay off loans they have obtained in the past, or will operate to make general business good, or will otherwise assist the bank itself, either directly or through its customer.

DANIEL R. CRISSINGER

Recently appointed Governor of the Federal Reserve Board

For a short time, there is likely to be a sound basis for such views, but not long after the new plan has become operative the factors already outlined begin to be influential and the banker eventually finds himself shouldering the greater part of the load in the form of inflated values, poor paper, and artificially expanded investment. The time then shortly comes when the bubble reaches bursting point. Of course, the error of the banker has by this time become clear and the country banker has begun to exert himself to try to get clear of the quicksands of poor credit or inflation in which he is stuck. He recognizes the mistake he has made, but that does not help him to get back into a liquid or solvent condition. The crop of Western bank failures which followed upon the closing of our own experiment in grain price-fixing, and the embarrassment of banks abroad under like conditions, shows why such institutions make a mistake in assenting to, much less in favoring, any valorization proposal.

When price-fixing comes to an end, as it always does after a time, for reasons just set forth, the inevitable penalty must be paid for the paper profits made during the inflation period. It seldom happens that reaction of values is instant. Usually, there is enough result of the "pegging" to hold things steady for a while. Some bank commitments "hold over," and other obligations and speculative adjustments require time to work themselves out. In fact, when all is properly arranged in advance, it sometimes happens that the price of the product is forced up to higher levels for a short time. This was the case after the close of our wheat price-fixing. Such upward movements are, of course, temporary and reaction begins within a relatively brief period. Usually owners of supplies that have not been price-fixed, but who enjoy a lower cost of production, are able at once to undersell those who have become accustomed, through price-fixing, to unduly high costs, wages and rents.

The consequence is an immediate reaction in the formerly price-fixed area with severe losses to those who have been carrying either a supply of the raw product or of paper based on land values artificially raised by past re-capitalization on a price-fixed basis. Among such holders the banks, for reasons just stated, are invariably to be found in large numbers, and they are obliged to "hold the bag." They may not be forced to bear immediate direct losses, but they find it necessary to "carry" customers who cannot clear up their obligations by selling out. Eventually a good many of these customers fail and the banks have to "write off" the resultant losses. In the last analysis, a good deal of the suffering is necessarily borne by the banks.

The investing community always suffers severely from government price-fixing. Elements of unsound and inflated valuation creep into securities which have no immediate connection of any direct sort with the price-fixed commodity; and there is a tendency to advance many issues in a purely speculative fashion. Price-fixing, as experience has conclusively shown, also operates to move upward the general level, or average, of commodity prices, as a result of reckless expenditure based on the belief that the price fixed for the given commodity will never be reduced.

The inflation of 1919-1921 was in no small degree due to hasty purchases made without hesitation or comparison of prices by those who were profiting largely from the new régime. It seemed to be possible to sell anything at almost any price in the "price-fixed" regions.

This is the actual record of experience with government price-fixing of agricultural products in its bearing upon the banking, investing, and above all, the producing classes. It deserves to be carefully considered at a time when there seems to be a revival of such schemes in various foreign countries and an urgent demand for their re-adoption at home.

·SERVICE·SECTION·

Germany's Disappearing Currency

Results of Shrinkage of Currency—Search for a Substitute—Wiping Out Investors

NOW that the mark is being quoted at around a million to the dollar, the last hope for its eventual rehabilitation is gone, in the opinion of experts. It is therefore admittedly impossible to do business with such an uncertain and indeterminate "measure of value" as the Reichsmark is today, and Dr. Willis' article points out some of the conditions precedent to the creation of a new currency basis, with an analysis of the probable effects of such a change.

THE depreciation of the German mark to a figure representing less than one millionth of a dollar may undoubtedly be taken as representative of the practical disappearance of that currency. The situation thus parallels that which prevailed in Russia, and it presents some unusually interesting financial problems as well as some considerations bearing directly upon the position of American investors. The mark now runs practically parallel to the ruble in worthlessness, but the disappearance of the currency standard of Germany is more important than the similar event in Russia because of the fact that commercial and financial connections between Germany and other countries, and particularly between Germany and the United States, are so much more important than those which have existed between those countries and Russia.

Losses Now Definite

It is probably true that, until very recent weeks, some investors of the more speculative type who had bought marks from time to time and had hoped against hope that the value of the currency would be restored, were still under the impression that, by holding on long enough, they would be able to get back their investment and perhaps to make money on it. Less optimistic observers have been of the opinion that at any rate Germany would some time or other have to redeem the mark at a nominal value, just as the United States redeemed the Continental currency at the rate of one cent per one hundred dollars. Even this is now generally regarded as out of the question because of the enormous quantities of marks that have been issued. Redemption of them, even at their purely nominal valuation, would require large sums, and, while such redemption may be carried out at some minute fractional value when conditions are restored to normal, if they ever are, it is probable that before that time a large proportion of the marks, just as in the case of rubles and other greatly depreciated currencies, will have been destroyed or disappeared, so that the action would be only technical if taken. Investors, therefore, may as well write off the amounts they have put into marks, and most of them have done so. There is, of course, no knowledge of the amounts which Americans had applied in this way, but if not only their purchases of currency but also their balances in German banks as well as of German bonds be included, there are probably few who would place the amount at less than several hundred millions of dollars, some as high as two billions or near that. This enormous sum represents the contributions of American investors to the settlement of Germany's post-war difficulties. An equal amount of contributions would have gone a long way toward the settlement of the foreign government debts owed to the United States.

Currency Standard in Germany

For a long time past, the larger business enterprises in Germany have been gradually converting themselves over to a basis measured in foreign units of value. As much as two or three years ago, some of the shrewder business houses recapitalized themselves on a footing of sterling or dollars, conducting their transactions thereafter in those units so far as foreign countries were concerned, while domestically, as fast as they received marks, they converted them through the banks into the foreign unit which they favored. Their accounts being stated in sterling, dollars, or guilders, they are in the same position (economically speaking, although not of course legally) as foreign concerns localized in Germany, and their losses in marks are confined simply to the small quantities of such currency that they happened to have in their tills or safes or the relatively small bank deposits carried in marks with their depositories. Other German houses, although not openly converting their assets into a foreign currency basis in this way, have been in the habit of depositing their spare funds abroad; and they are carrying large balances in the Scandinavian countries, Holland, England and the United States. Concerns that are in this position are not as conservatively placed as those in the first class already described, but they are fairly well protected. Still a third class of enterprises, although not going into foreign currencies so extensively, have laid the foundations for safety by paying off outstanding indebtedness, refusing to grant credit, so as to have the smallest amount of funds payable to them in current values, and becoming the owners in fee simple of the property that they used. They thus cut down to the smallest possible level their dependence upon actual money. These various precautions undoubtedly have tended to mitigate the danger to German industry and finance. Some think that they have tended to aggravate the acuteness of the present crisis, because of the lack of confidence which they have shown in the prospects of recovery. No doubt this last is in a measure true, but it was inevitable, because one of the principal effects of depreciation of currency is to drive wealth out of fluid forms, while the very process of making such a transfer itself tends to accentuate the depreciation still further.

Germany's Future Currency

As Germany has only a nominal sum in gold the holdings of her banks being almost negligible, while the actual hoardings made by citizens are reputed to be very small so far as coin itself is concerned, she is now faced with the problem of getting a new currency system. The problem is rather a peculiar one in her case because, unlike such countries as Mexico or Russia, she has no precious metal production to speak of, so that she must either import the basis for a new currency or else shift directly over to a foreign currency standard (importing the necessary amount of the latter, in actual money), or else find some new basis of exchange that will serve the purpose. German economists have been working along the latter line but their efforts have been unsuccessful, largely owing to the fact that Germany herself is so closely dependent upon foreign sources for her raw material, as well as upon foreign markets for the sale of her goods. This makes it almost essential to find a currency basis that can be given a definite relationship to other monetary units, and that will be assigned such a basis by foreigners themselves in trade with her. Lacking the early adoption of any such currency plan, Germany necessarily finds herself cut off from the outside world, owing to the fact that her currency has no stated relationship to the money values of other countries. In view of the fact that it would do no good to import specie which would quickly disappear through exportation, as the result of payments that

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must be made abroad—to say nothing of the difficulty of getting such specie under existing conditions, it is to be expected that the next step will be that of adopting, for the time being, the use of some foreign currency system pending the time when better economic conditions will permit actual specie to circulate.

The questions whether the mark as a unit can "come back" is one of considerable international interest. If a new currency system should be adopted, the slate would presumably be wiped clean of obligations created under the old régime. If, on the other hand, effort is made to rehabilitate the mark, the same name being used for the unit of value to be used as a currensy base, existing obligations and debts would presumably have to be met in the mark at its new exchange value, whatever that might be. This, of course, would be a great drawback to the introduction of the new unit, because of the fact that the currency obligations which had been contracted while the mark was at a very low level would then have to be met, it may be supposed, in the currency at its new basis of valuation, although this latter might be perhaps many times in excess of the worth of the mark at the time when the obligation was incurred.

Such conditions necessarily mean a very serious obstruction of trade with Germany for a long time to come, even in the assumption that other obstacles had been removed. While some business can go on in sterling, dollars, or guilders, Germans being paid for their products in these currencies, and paying foreigners for raw materials in the same, the serious difficulty in the case is found in the fact that they have no basis for adjusting relations with their employees on a footing that will allow them to figure costs accurately and so to establish prices at a definite level. This hindrance to trade is partly overcome by simply accepting the rates for similar goods prevailing abroad; but is successful on that basis only so long as employees are content with the estimated worth of their services which

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Desire to Aid Wheat Growers

Numerous Plans Under Consideration—What Has Already Been Done

Washington, July 25.

MANY propositions are being passed in review by the Administrative authorities with the idea of effecting as early as possible some working arrangement for financing the wheat crop in a way that will at least lead the farmer to suppose that he is being assisted by means of credit. Thus far it would appear that nothing of a feasible character has presented itself to the minds of the governing authorities either in the Treasury or elsewhere. This is largely because almost every practicable scheme, and some that are not so practicable, have been discussed during recent months, and so far as at all within reason have already been put into effect. To the farm organization representatives, who present themselves at the Treasury with schemes of one sort or another on this score, the reply is necessarily being made that the Government has done almost all that it can.

Among the things which are thus ennumerated as thus having been done are the following:

1. Extension of maturity of farm paper to a nine months basis with practical understanding that renewals may be expected.

2. Development of very liberal provisions for the financing of cooperative marketing associations.

3. Unusually liberal rulings favoring the making of acceptances against farm products in warehouse.

4. Very broad construction of the new farm credits act and installation of intermediate credit banks in the twelve farm land banks.

5. Issuance of letters of instruction to all Federal Reserve Banks directing them to assist in every way in "orderly marketing."

6. Holding of conferences with numerous bankers and farm organization representatives to assure them of such aid as can be rendered. Of course, none of this goes to the root af the matter, because of the fact that the real trouble in the situation is found in the unduly low price of farm products. This price is such as not to return what is considered an adequate amount to cover cost of production in a good many parts of the country. The problem, then, of the banker is primarily whether to lend up to more than a safe percentage of the current value of a crop which is not bringing the prices that the producer thinks will be necessary. Of course, this makes a rather difficult question for the banker, especially in view of his desire to avoid "frozen loans."

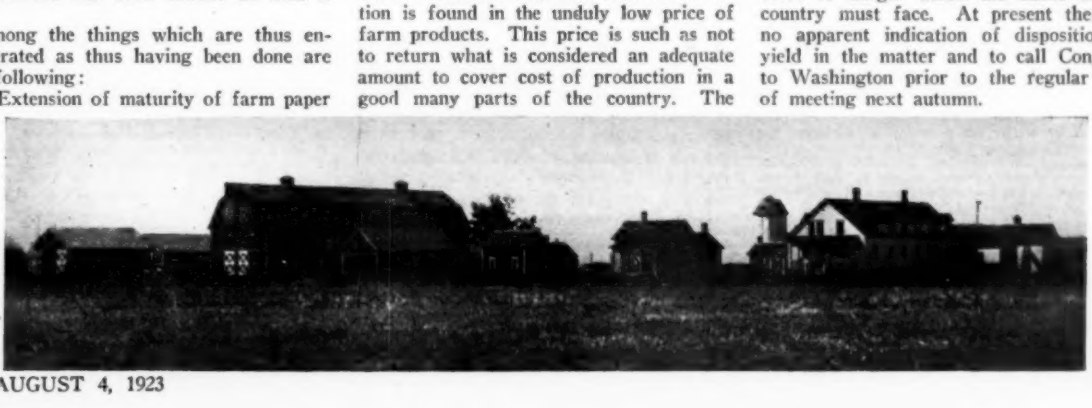
Problem Before National Authorities

The real problem before the national authorities now is whether or not to permit or encourage the unduly long withholding of farm products from the market in the belief that prices are going to advance. Present indications are that a very severe test of the Government's attitude will be afforded during the coming autumn, because of the desire on the part of many politicians to assure the farmer that they have gone to extreme limit in encouraging a belief in the future increase of prices and in helping the farmer to carry over his products in the expectation of higher values.

Perhaps there has been no time since the close of the war when quite such a serious banking issue was presented. This is recognized by some of the abler men in the Government service, but they are offset by others who are more anxious to gain favor with the farm bloc than they are to protect the banks. The latter are, in many parts of the country, viewing the situation with alarm because of the interference to which they are being subjected from governmental sources or at least what they consider such interference.

Demand for Extra Session

The demand for an extra session which has been pressed upon government authorities for some time past, comes from those who want to bring about more financial legislation in favor of the farmer as well as to put pressure upon the administrative authorities to compel them to afford a larger amount of aid to the farm interests under existing laws. Whether the latter would be willing to take such action or not is doubtful for reasons just explained, but the farm interests believe that the effect of a meeting of Congress would be to "loosen things up" a good deal. This is perhaps the most immediate form of danger which the banks of the country must face. At present there is no apparent indication of disposition to yield in the matter and to call Congress to Washington prior to the regular date of meeting next autumn.



ANSWERS TO INQUIRIES.

Industrial Inquiries

$25,000 INVESTMENT FOR A WIDOW

List of Securities that Give an Average Return of 6¼%

A widow of about 50 without dependents, has twenty-five thousand dollars ($25,000) and desires to invest same to insure financial independence during her lifetime. Of course, security of principal is the first consideration, but amount of return must not be overlooked. She has no property of any kind other than the aforesaid $25,000. Please suggest investments for the entire amount. She would not object to a different investment for each thousand dollars.—R. S. G., St. Louis, Mo.

For the investment of $25,000 for a widow to ensure her financial independence during her lifetime, of course safety of principal is the first consideration. If the very highest-grade securities are selected the highest yield to be obtained would be around 5%. It is our opinion, however, that by diversifying this investment among many issues you would be justified in including securities giving a better yield. This would include nothing of a speculative nature, but would include several securities that are classed as middle grade rather than strictly high grade. The following list gives a return of approximately 6¼%, and, in our opinion, the element of risk by diversifying the investment among all the issues would be so slight that it would be justified under the circumstances you describe.

Bonds—	*Maturity*	*Price*	*Yield*
Armour & Co. Real Estate 4½s	1939	84	6.1%
Bush Terminal Building 5s	1960	..	5.7
Philadelphia Co. 6s	1944	100	6.0
Chesapeake & Ohio Conv. 5s	1946	89	5.9
St. Louis & San Francisco Prior Lien 4s	1950	67	6.7
Great Northern General 7s	1936	108	6.0
Kansas City Southern Refunding & Improvement 5s	1950	84	6.2
Anaconda Copper Mining 1st mortgage 6s	1953	97	6.2
Computing Tabulating & Recording 6s	1941	..	6.1
Utah Power & Light 5s	1944	88	6.0
Public Service Corporation of N. J. 5s	1959	84	6.1
Denver Gas & Electric 1st and refunding 5s	1951	85	6.1
Metropolitan Edison 1st & refunding 6s	1952	97½	6.2
Memphis Power & Light 6s	1948	99½	6.0
American Smelting & Refining 6s, Series A	1947	101	5.9
United States Rubber 5s	1947	85½	6.1
Southern Railway Genl. Mtge. 4s	1966	67½	6.4
American Water Works & Electric Col. 5s	1934	85	6.9

We suggest that three-quarters of the principal be invested in the above bond issues and that one-quarter be equally divided among the following preferred stocks:

Preferred Stocks—	*Div.*	*Price*	*Yield*
Allied Chemical & Dye	7%	107	6.4%
Standard Milling	6%	89	6.7
North American	$3	43	7.0
Philadelphia Co.	$3	43	7.0
American Can	7%	108	6.5
Chesapeake & Ohio	6½%	97	6.7

RAILWAY STEEL-SPRING

Strong Financial Condition

With the railroads handling a record amount of traffic, it appears to me that the railroad equipment business should continue to prosper. I sold out my Baldwin Locomotive and American Locomotive stocks and I am now considering purchasing with the proceeds Railway Steel-Spring common. As an 8% stock selling around 104, it looks cheap to me. I will appreciate a brief analysis of the company.—S. R., Newark, N. J.

The plants of Railway Steel-Spring are very active at the present time and the outlook is for continued good business. The company is engaged in the production of steel springs for cars and locomotives, steel tire car wheels and other equipment specialties. The business of this company is somewhat more stable than that of other equipment manufacturers, as even in periods of depression, there is a steady demand for the company's products, and in the past ten years the company has never reported an operating loss. During the war period, Railway Steel-Spring piled up large profits and, as it was conservative in dividend payments, and did not go in for plant expansion, these profits are now represented in the balance sheet by liquid assets, consisting of marketable bonds and stocks. As of December 31, 1922, marketable securities totalled 8.6 millions, which is equivalent to eight years dividends on the common stock at the present rate of 8%. At present prices of around 104, we consider the stock to offer good possibilities for appreciation in value.

PRESSED STEEL CAR

Advise Switch to Lima Locomotive

In the past year nearly all railroad equipment stocks have gone up except the one I hold—Pressed Steel Car. This has done nothing and is not even paying dividends. Is anything wrong with the company? I have been considering switching into either Lima Locomotive or Westinghouse Electric which pay good dividends, but, of course, do not want to accept the loss Pressed Steel Car shows me, if you think the stock will give a better account of itself from now on.—N. R., Evansville, Ind.

Pressed Steel Car for the year ended December 31, 1922, reported a deficit of $1,216,688 after payment of preferred dividends and a deficit of $443,094 in 1921 after preferred and common dividend payments. These losses weakened the financial structure of the company, and in December, 1922, 6 million 5% bonds were issued. After giving effect to this new financing, the company still had bank loans of around 2.5 million. Of course, conditions this year have been very favorable for the company and a good report is anticipated. While the common stock is not without speculative possibilities at present levels, in our opinion, Lima Locomotive, paying $4 per share per annum and selling around 63, is a more attractive security. Lima Locomotive, for the first quarter of 1923, earned more than a full year's dividend at the present rate of $4 and higher dividends are apparently in sight. We advise you to make the switch.

ALLIS-CHALMERS

Increase in Orders

Does the present low price at which Allis-Chalmers common stock is selling indicate an early passing of the dividend? I hold some of the stock outright and am not interested in the market fluctuations, but if the dividend is going to be passed, I do not wish to keep it, as I like to have my money invested where I am getting a regular return. A few remarks from you in regard to this company will be greatly appreciated.—S. G. F., Allentown, Pa.

The present price of Allis-Chalmers, undoubtedly, indicates doubt on the part of investors as to the continuance of the present dividend rate. In 1922 the company just about covered dividend requirements. For the first five months of the

current year net earnings were $862,172, which was $48,515 less than the dividend requirements for the period. However, it is believed that June earnings will show up sufficiently large to cover dividend requirements for the first six months. Unfilled orders at the present time exceed 13 million dollars, which compares with 8.2 millions on January 1st, and indicates that in the last six months of the year earnings will show up somewhat better than in the first six months. It is true that these earnings do not show a very great margin over dividend payments, but in this connection it should be realized that the company is in an unusually strong financial condition and in a position to pay out all surplus earnings in dividends, should directors so decide. As of December 31, 1922, the company had a working capital of 23.8 millions, of which 9.4 millions consisted of Liberty Bonds and United States Treasury Certificates. If you can afford to take a business man's risk, we believe it advisable to hold the stock at this time.

GENERAL ELECTRIC
Record-Breaking Orders

Having purchased a few shares of General Electric several years ago, I am now in a position to sell out at a handsome profit. I have been considering doing this, in view of the unsettled conditions abroad and the labor unrest in this country. I thought I would first ask your opinion. Should I hold for higher prices or sell now?—B. L. G., Syracuse, N. Y.

General Electric during the first half of this year received 164 million dollars of

(*Please turn to page* 652)

you can afford to assume a certain amount of risk, we would advise retaining it at this time.

SOUTHERN RY. PFD.
Business Man's Investment

How would you regard a purchase of Southern Railway preferred stock for investment purposes? This gives a good return, but I do not care to take on anything that is highly speculative and will await your advices before buying.—R. J. L., Flushing, N. Y.

Southern Railway for the year ended December 31, 1922, earned 14.7% on the preferred stock and earnings so far in the current year had been at the rate of over 20% on the preferred. In the past ten years, Southern Railway has placed many millions of dollars back in the property from earnings and the road is in better physical shape than it has ever been in its history. It is our opinion that the company should be able to continue to show good earnings and in our opinion, the preferred stock can now be rated as a good business man's investment and is attractive at present prices of 66 to yield 7.57%.

Inquiries on Railroad Securities

JERSEY CENTRAL
Property Holdings Undervalued

I noticed your recent answer to an inquiry published in THE MAGAZINE OF WALL STREET *relating to Central Railroad of New Jersey. In this you state that the book value of the stock at the close of 1921 was $324 a share. My understanding is that Jersey Central owns very valuable terminal properties that are carried on its books far under true valuation. I will appreciate if you can give me any information along these lines.—D. A., White Plains, N. Y.*

Jersey Central owns a stretch of land on New York Bay from pier No. 1, Jersey City, south to Bayonne, a distance of more than five miles, improved with docks, warehouses, railroad yards, etc. Various estimates have been made of the amount of understatement of Jersey Central Terminal land. Real estate experts are of the opinion that if the land had to be immediately sold, in other words, thrown on the market for what it would bring, the price received would probably be 25 million dollars in excess of the amount at which it is carried on the company's books. On the other hand, if the lands were sold by careful negotiations, they might bring 50 million dollars above the book value. Since the answer to the inquiry you refer to was written, Jersey Central has issued its annual report for 1922 showing a book value for the stock of $396 per share. This increase over the book value at the end of 1921 is largely accounted for by liquidating dividends received from the Lehigh & Wilkesbarre Coal Company. Adding 25 million dollars which conservatively represents the understatement of the value of the road's landholdings and the asset value of the stock is close to $500 a share. Earnings of Jersey Central have been small compared with the value of its assets. It is now controlled by Reading but the Supreme Court has decreed that Reading must give up this road. Under independent management, it is quite probable that this road would be able to develop a considerably larger earning power. At the present time, Jersey Central has cash and marketable securities above its normal working capital equal to about $100 a share.

WABASH PREFERRED A
Good Dividend Prospects

Having held Wabash preferred A stock for some time, without getting any return on my money, I thought I would ask your opinion as to its dividend prospects. I am willing to be patient a while longer and hold the stock, if you feel that there is a fair chance of stockholders being rewarded.—J. J. H., Wilmington, Del.

Wabash Railway is in good financial and physical condition. Earnings in 1922 were only equal to 1.83% on the preferred A stock, comparing with 3.02% in 1921. The smaller earnings were due to the effect of the coal and shopmen strikes. In the current year, Wabash is displaying an excellent come-back in earnings and in July, William H. Williams, chairman of the Board, stated that "It is our confident belief that earnings for the current year will be sufficient to show a return of approximately 8% on the preferred A stock." The preferred A stock is entitled to 5% non-cumulative dividends. How soon dividends will be initiated and at what rate, will of course depend on the policy of the directors. Earnings and financial condition apparently justify the payment of dividends on the preferred stock in the near future. We consider the stock to have good speculative possibilities and if

BALTIMORE & OHIO
4% Rate Expected in December

What do you think of a switch from Baltimore & Ohio stock into Bethlehem Steel or American Water Works & Electric common? I am disappointed in Baltimore & Ohio. The policy of the management apparently is so conservative that stockholders have not much to look forward to. When a dividend is finally paid I am afraid it will be a very small one.—A. F. K., Scranton, Pa.

In our opinion, you would not be making a good move in switching out of your Baltimore & Ohio at this time. It is true that the management is conservative, but frequently this turns out to be a good thing in the long run. Unless there is a strike or some other very unfavorable development that cannot be foreseen now, Baltimore & Ohio common stock will undoubtedly be put on a $4 dividend per share per annum basis in December when directors meet again. At least a 4% rate must be paid in order to keep the road's bonds legal for savings banks. As a 4% dividend payer with prospects of higher dividends later on, Baltimore & Ohio stock, in our opinion, should sell, under normal stock market conditions, at materially higher levels than it is selling for now. Baltimore & Ohio earnings for the first six months of this year were at the rate of $18 per share per annum and the outlook is that the road will continue to show a good earning power. We consider the stock more attractive than Bethlehem Steel whose dividend is not very secure or American Water Works & Electric common which may not pay dividends

for some time, although earnings are good. If you prefer a dividend payer at this time, however, we would suggest Philadelphia Co., paying $4 per share per annum and selling around 43, although we do not feel that the latter stock will show in the next six months as great appreciation in value as Baltimore & Ohio.

ERIE RAILROAD

Remarkable Increase in Earnings

With Erie common and preferred stocks selling within a few points of their lowest prices, I have had in mind purchasing one of these issues for speculation. If you agree that they are good speculations, which issue would you select?—S. T., Koenig, Conn.

Erie Railroad has made remarkable recovery in earnings this year. In 1922, the road did not fully earn its fixed charges due to the coal and shopmen strikes, but for the first six months of the current year, allowing for seasonal variations in traffic, earnings have been at the rate of $4 per share on the common stock after allowing for preferred dividends. No dividends are likely on the preferred issues for a long time to come, as the road's financial structure is none too strong. However, the stocks have been great speculative favorites in the past and with earnings on such satisfactory basis, we consider that they offer good speculative possibilities at this time. Of the three issues we would select the second preferred stock selling around 13.

New Security Offerings

PENN-OHIO EDISON 6½% NOTES

Business Man's Investment

I have been advised to buy Penn-Ohio Edison 6½% notes and I am inclined to follow this advice, as the yield is good, a little over 7%. Will they make a good investment in your opinion?—H. N., Philadelphia.

Penn-Ohio 3.2 million 6½% gold notes, due 1927, are secured by pledge of the entire issues of common stock of the Pennsylvania-Ohio Electric Co., Ohio River Edison Co., Salem Lighting Co., Pittsburgh District Electric Co. and, subject to the lien of the Pennsylvania-Ohio Electric Co., 1st and collateral trust mortgage, the entire stock of the Pennsylvania-Ohio Power & Light Co. They are further secured by pledge of all the outstanding bonds of the Salem Lighting Co. which are a first lien on the property and by pledge of 86% of the preferred stock of Pittsburgh District Electric Co. No further issuance of notes may be made and no additional common stock of subsidiaries can be issued unless it is also pledged under these notes. Combined net earnings of subsidiary companies for the year ended April 30, 1923, available for depreciation and dividends and interest on the pledged securities were equal to 4.1 times annual interest requirements on these notes. The value of the physical properties of the subsidiary companies based largely on independent appraisals is 58 millions. Deducting face value of bonds and stocks of subsidiary companies in hands of public leaves a balance of 16.7 millions applicable to the collateral pledged under the notes. The Penn-Ohio Edison controls companies supplying the entire electric power, light and railway service in important districts in eastern Ohio and western Pennsylvania. Population served is 340,000. We consider these notes a good business man's investment and attractive at the offered price of 98 to yield 7.15%.

OHIO PUBLIC SERVICE 6s

Well Secured Issue

Please let me have your opinion of Ohio Public Service first and refunding 6% bonds, series C, due 1953.—H. L., St. Louis, Mo.

Ohio Public Service Co. 1st and refunding 6s, due 1953, are a first mortgage lien on a portion, and a direct mortgage lien on all the company's property, subject to divisional bonds. The Public Utilities Commission of Ohio has given the properties a valuation which, with subsequent additions and improvements to May 1, 1923, is in excess of 24.5 millions. Total bonds outstanding in hands of public is 14.9 millions. For the 12 months ended April 30, 1923, net earnings were $2,674,331 as against annual bond interest requirements of $991,013. The company supplies light, heat and power to a number of Ohio communities including Warren, Alliance, Massillon, Ashland and Mansfield. At the offered price of 94½ to yield 6.4%, we consider these bonds a good investment.

CUBA RAILROAD

First Mortgage 5s

The National City Company is offering $1,250,000 Cuba Railroad first mortgage 5% bonds, due 1952, at 86, at which price the return is 6%. What is your opinion of this bond?—S. T., New York City.

Cuba Railroad 1st mortgage 5s, due 1952, are secured by a direct 1st mortgage on all the company's property in the Island of Cuba, consisting of 681 miles of completed standard gauge railroad including branch lines. First mortgage bonds outstanding at present time 13.6 millions. Authorized amount is limited to $20,000 per mile. For the 6 years ended June 30, 1922, income available for interest on funded debt, equipment trusts, etc., was equivalent to a yearly average of 2.22 times the requirements. In our opinion this is a well secured bond and a good purchase for the conservative investor.

McCRORY STORES

7% Preferred Stock

McCrory Stores Corporation 7% preferred stock has been recommended to me as a good investment. Before purchasing I would like to have a little information from you in regard to the company, and your opinion of the preferred stock.—C. C., Chicago, Ill.

McCrory Stores Corporation operates 165 Five-and-Ten-Cent Stores in nearly all the states east of the Mississippi River. This company has an excellent record as earnings have shown a steadily increasing tendency for a number of years. In the past 37 years the company has never operated at a loss. Net tangible assets as of Dec. 31, 1922, after giving effect to the present financing ($3,000,000 7% preferred) amounted to 7.1 millions or $238 a share on the preferred stock, of which amount net quick assets were $135 a share. For the year ended Dec. 31, 1922, net profits after taxes were equivalent to 5.64 times the preferred dividend requirements, and earnings in the current year are expected to reach 1.5 millions or more than 7 times preferred dividend requirements. The stability of this company's business and its sound financial condition entitles the preferred stock to a good investment rating.

INSURANCE BLDG. CORP.

Another Stock Suggested

What is your opinion of Insurance Building Corporation 7% preferred stock for investment?—F. H., Mount Vernon, N. Y.

Insurance Building Corporation has acquired the entire block bounded by Milk, Broad, Central and India Streets in Boston, containing 27,000 square feet of land on which is being erected an eleven-story building to be known as the Boston Insurance Exchange. The appraised value of the property is 4.4 millions. Capitalization consists of 3 millions first mortgage bonds, 1 million preferred stock and 15,000 shares of common of no par value. Based on annual rental from leases already consummated net earnings with building fully occupied are estimated at $375,000. Deducting interest charges of $180,000 and there remains a balance of $195,000 as against preferred dividend requirements of $70,000. Instead of purchasing this stock at the offered price of par we believe you would make a better investment by purchasing Bush Terminal Building 7% preferred, selling at 91, which is guaranteed by the Bush Terminal Co.

THE MAGAZINE OF WALL STREET, through its Inquiry Department, will be glad to assist subscribers in making their choice of investment or brokerage house. This service is of particular value to inexperienced investors who are unfamiliar with the nature of the service rendered by the various investment firms. If you need this service or are not sure about the broker with whom you are now dealing, write to the Inquiry Department, MAGAZINE OF WALL STREET, 42 Broadway, New York City.

Some Letters We Have Received

Sorrows of Running a Financial Magazine—Why Editors Shoot Themselves at Forty-Five

By JOSEPH MILLER

IT may have occurred to you, gentle reader, that an editor's lot is a peculiarly happy one. You may think that all he has to do is to sit at a desk, where he is fed from an inexhaustible fount of financial wisdom, and hand out the same in drops or bucketfuls as desired. If you think so, dear reader, it merely proves that you have never seen an editor when he goes through his mail of a morning.

As if picking out good investments, bad investments, figuring out the course of the market, discussing the business problems of the day, attacking the bucketshops, and reading manuscripts were not enough for one man to do, he finds occasionally a letter somewhat to this effect:

"Dear Sir,

Can you tell me at what price U. S. Limburger Deodorizing sold at on March 24, 1894, for inheritance tax purposes?"

The answer is easy, of course. We cannot. But they won't believe us, and so instead of answering by the pure light of inner reason we painfully hobble to the files and look it up.

We Get Lots of These

Another favorite that we have learned to look out for and detest goes like this:

"Dear Sir,

I have just bought a thousand shares of Crowning Miracle Oil at five cents a share. I am an orphan, aged 46, with a widowed mother and an aged and infirm father to support. What do you think of it as an investment?"

We should like to inform our correspondent that even if he had three children and a superannuated maiden aunt to support, the investment qualities of his Crowning Miracle Oil would be in nowise improved. But we have lived and suffered—we take our Underwood in hand and ask him next to obtain our advice before he buys the stock, and not after.

You understand, gentle reader, do you not, that none of the foregoing nor of the following applies to your correspondence? That we not only answer promptly but we have it framed and hung over our desk. We are merely discussing the sort of letters we get from a man like Jones, for instance. You know Jones, don't you, who sold American Telephone short, because somebody told him that wireless telephony had been perfected? Well, it's people like that who are the bane of our lives.

Out of Favor

One kind of pest specializes in pointing the finger of scorn and denunciation at us, somewhat to this effect:

"Dear Sir,

In your issue of June 28, I notice you classify Jones & Brown 1st 5s as a medium-grade investment. I own $2,000 worth of these bonds. I wish to notify you that in my opinion you are a crook, a liar, a hireling of the Big Business interests, a horsethief and very probably an amateur saxophonist. I shall cancel my subscription at once, move to have you indicted, and get up a Citizens' Committee to have you tarred and feathered."

We always express our great regrets at having roused the gentleman's ire, but after all, Jones & Brown 1st 5s are, and remain, a medium-grade investment.

Then again, for many years we have been going Mr. Bok's $100,000 peace prize one better in the way of amateur plans for the salvation of the universe. Any time we want to enter that competition we shall merely empty our waste basket for the day, pack up the contents and forward them, and stand as good a chance as anybody.

The purposes served by the suggestions that reach us include the restoration of the German mark to par, raising the price of wheat to $3 a bushel, saving Austria, saving Europe, saving the world, destroying militarism, solving the port problems of New York, and assuring every man, woman and child in the United States of financial independence. The methods proposed include Couéism, Christian Science, extension of prohibition, cancellation of the Allied debts, addressing protests, raising loans in the United States, table-tipping with the ghost of J. P. Morgan, etc.

There's nothing like these letters to impress us with a sense of our responsibility. It's a wonderful sensation to open a letter and feel that within your hands is the possibility of the amelioration of the entire human race. We are always let down after reading each one, but hope springs eternal in the editor's breast.

One of these days we shall achieve our life-work when we lay the foundation stone of the School to Teach Spelling and Writing to People Who Write to Editors. Every once in so often we get something like the following (we should like to reproduce the manuscript in facsimile, but we don't dare to impose on our readers to that extent):

"Dere Sir,

hAv yu everr herd oF Unitted sTateS stEel korporashun stok i found sum in A trunk in tHe attick whatt belongd too Unkel Jon what dyed last sumer what thei tel mi is werth a Milyun dolLars is it troo i reMain sensirly yors Jldynh Prvnbos (with a flourish)."

The worst of it is, we usually try faithfully to decipher the signature after our brains have begun to ooze out with trying to read the letter itself.

The foregoing may help to explain why it is that editors of financial publications all have gray hair and suffer from chronic melancholia, and why their mortality rate is higher than that of steeplejacks, powdermill workers and deep-sea divers.

In the August 18th Issue

WHAT BIG BUSINESS MEN THINK OF THE OUTLOOK

No one can afford to ignore the opinion of business leaders on the business situation. Especially at this time with so much uncertainty prevalent is it essential to arrive at some conclusion as to the outlook for trade and industry. Investors and business men will be deeply interested in this vital article.

* * *

A LIST OF THE MOST PROSPEROUS COMPANIES

This includes a list of the leading companies that have earned their full year's dividend and more during the first six months of the current year. An extremely valuable guide for investors.

* * *

THE INVESTMENT OUTLOOK

In what position are bonds and preferred stocks to-day? This is one of the important questions before investors and it is definitely answered in the next issue.

* * *

A REVIEW OF THE ASSOCIATED AUTOMOBILE INDUSTRIES

including a list of the best investments for income and profit among the automobile, accessory and tire groups. Half of the Industrial Department will be devoted to this subject.

School for Traders & Investors

Speculation As a Fine Art

Eleventh Lesson

By D. G. WATTS

IT gives us great pleasure to present the following original version of this famous masterpiece on the subject of speculation. Dickson G. Watts was one of the most successful cotton operators of his day—some forty years ago—and his rules were the result not of theory but of long and practical experience. Through the courtesy of his son, Samuel H. Watts, a partner in the old established New York Stock Exchange firm of Fellowes Davis & Co., we are reproducing what is said to be the only remaining original copy herewith, and we trust that our students will find, as we have found, exceptional value therein. In a subsequent issue we will make some comments.

SINCE De Quincey wrote his essay on "Murder as a Fine Art" many things have been considered under a similar title. We read recently an article on "Invalidism as a Fine Art." If murder and invalidism can be so treated, why not speculation? Speculation is a fine art, and requires a high order of talent in the artist.

What Is Speculation?

Before entering on our inquiry, before considering the rules of our art, we will examine the subject in the abstract. Is speculation right? It may be questioned, tried by the highest standards, whether any trade where an exact equivalent is not given can be right. But as society is now organized speculation seems a necessity.

Is there any difference between speculation and gambling? The terms are often used interchangeably, but speculation presupposes intellectual effort; gambling, blind chance. Accurately to define the two is difficult; all definitions are difficult. Wit and humor, for instance, can be defined; but notwithstanding the most subtle distinction, wit and humor blend, run into each other. This is true of speculation and gambling. The former has some of the elements of chance; the latter some of the elements of reason. We define as best we can. *Speculation is a venture based upon calculation. Gambling a venture without calculation.* The law makes this distinction: it sustains speculation and condemns gambling.

All business is more or less speculation. The term speculation, however, is commonly restricted to business of exceptional uncertainty. The uninitiated believe that chance is so large a part of speculation that it is subject to no rules, is governed by no laws. This is a serious error. We propose in this article to point out some of the laws in this realm.

There is no royal road to success in speculation. We do not undertake, and it would be worse than folly to undertake, to show how money can be made. Those who make for themselves or others an infallible plan delude themselves and others. Our effort will be to set forth the great underlying principles of the "art" the application of which must depend on circumstances, the time and the man.

Let us first consider the qualities essential to the equipment of a speculator. We name them: Self-reliance, judgment, courage, prudence, pliability.

1. *SELF-RELIANCE.* A man must think for himself, must follow his own convictions. George Macdonald says: "A man cannot have another man's ideas any more than he can have another man's soul or another man's body." Self-trust is the foundation of successful effort.

2. *JUDGMENT.* That *equipoise,* that nice adjustment of the faculties one to the other, which is called good judgment, is an essential to the speculator.

3. *COURAGE.* That is, confidence to act on the decisions of the mind. In speculation there is value in Mirabeau's dictum: "Be bold, still be bold, always be bold."

4. *PRUDENCE.* The power of measuring the danger, together with a certain alertness and watchfulness, is very important. There should be a balance of these two, prudence and courage; prudence in contemplation, courage in execution. Lord Bacon says: "In meditation all dangers should be seen; in execution none, unless very formidable." Connected with these qualities, properly an outgrowth of them, is a third, viz., promptness. The mind convinced, the act should follow. In the words of Macbeth: "Henceforth the very firstlings of my heart shall be the firstlings of my hand." Think, act, promptly.

5. *PLIABILITY.* The ability to change an opinion, the power of revision, "He who observes," says Emerson, "and observes again, is always formidable."

The qualifications named are necessary to the make-up of a speculator, but they must be in well-balanced combination. A deficiency or an overplus of one quality will destroy the effectiveness of all. The possession of such faculties, in a proper adjustment is, of course, uncommon. In speculation, as in life, few succeed, many fail.

Each department of life has its language, expressive if not elegant, and in dealing with the subject we must perforce adopt the language of the Street. The laws given will be found to apply to speculation of any kind. They are universal laws; but for the sake of clearness we assume the case of speculation as conducted in one of our exchanges, where they can be best demonstrated.

We divide them into these two groups: laws absolute and laws conditional.

Laws Absolute

1. *NEVER OVERTRADE.* To take an interest larger than the capital justifies is to invite disaster. With such an interest a fluctuation in the market unnerves the operator, and his judgment becomes worthless.

2. *NEVER "DOUBLE UP";* that is, never completely and at once reverse a position. Being "long," for instance, do not "sell out" and go as much "short." This may occasionally succeed, but is very hazardous, for should the market begin again to advance, the mind reverts to its original opinion and the speculator "covers up" and "goes along" again. Should this last change be wrong, complete demoralization ensues. The change in the original position should have been made moderately, cautiously, thus keeping the judgment clear and preserving the balance of the mind.

3. *"RUN QUICKLY,"* or not at all; that is to say, act promptly at the first approach of danger, but failing to do this until others see the danger, hold on or close out part of the "interest."

4. *Another rule is, when doubtful, reduce the amount of the interest;* for either the mind is not satisfied with the position taken, or the interest is too large for safety. One man told another that he could not sleep on account of his position in the market; his friend judiciously and laconically replied: "Sell down to a sleeping point."

Rules Conditional

These rules are subject to modification according to the circumstances, individuality and temperament of the operator.

1. *It is better to "average up" than to*

(Please turn to page 674)

New York Stock Exchange

	Pre-War Period 1909-13 High	Pre-War Period 1909-13 Low	War Period 1914-18 High	War Period 1914-18 Low	Post-War Period 1919-1922 High	Post-War Period 1919-1922 Low	1923 High	1923 Low	Last Sale July 25	Div'd $ per Share
RAILS:										
Atchison	125⅛	90¼	111¼	75	108½	91¾	105⅛	97	99	6
Do. Pfd.	106¾	96	102⅛	75	95½	72	99⅝	86⅞	88½	5
Atlantic Coast Line	148½	102½	126	79⅞	124⅞	77	127	110	113½	7
Baltimore & Ohio	122¼	90⅝	96	88¼	60¼	27⅝	56⅛	40⅛	49¼	..
Do. Pfd.	96	77¼	80	48¼	66¼	38½	60⅞	55¾	56½	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	160	140¼	145¾	10
Chesapeake & Ohio	92	51⅛	71	35⅝	79	46	76⅜	57	59¾	4
Ches. & Ohio Pfd.	..	..	..	..	105⅝	100⅝	104⅞	96	‡97⅝	6½
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	16½	26⅜	17¾	18¼	..
Do. Pfd.	181	130½	143	62½	76	29	45½	29⅛	31⅛	..
Chicago & Northwestern	198½	123	136⅞	85	105	59	88	69	67⅜	5
Chicago, R. I. & Pacific	..	..	45¾	16	50	22⅝	37⅞	22	24⅝	..
Do. 7% Pfd.	..	..	94¾	44	105	64	95	77½	84	7
Do. 6% Pfd.	..	..	80	35¼	93¼	54	85	66	60½	6
Delaware & Hudson	200	147½	159½	87	141½	83¼	124½	93¼	103½	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	130½	110½	116	8½
Erie	61¼	33½	59½	18¾	21⅛	7	13⅝	10⅛	12	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	33	11⅛	21⅝	15	19⅜	..
Do. 2nd Pfd.	89⅛	19½	45⅝	13⅛	23¼	7⅛	16½	10¾	‡13¼	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	60	80	60⅝	61	5
Illinois Central	162⅛	102¾	115	85¾	115¾	80⅞	117½	105	‡108	7
Kansas City Southern	50¼	21⅜	35⅛	13½	28⅞	13	24⅞	16¾	18	..
Do. Pfd.	75½	56	65½	40	59½	40	57¾	50	‡51	4
Lehigh Valley	121¼	62½	87⅛	50⅜	72	39¾	71⅜	54	60½	3½
Louisville & Nashville	170	121	141⅞	103	144⅞	94	155	85½	89	5
Mo., Kansas & Texas	51⅛	17½	24	3⅛	*19¾	*¾	17	10	10⅞	..
Do. Pfd.	78¼	46	60	6½	*48¾	*2	45½	25	28½	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	11½	19⅜	11	11¾	..
Do. Pfd.	..	..	64⅞	37½	63¾	33⅜	49	28¾	32	..
N. Y. Central	147¾	90⅜	114¼	62½	101⅛	64⅛	104⅛	94½	99	7
N. Y., Chicago & St. Louis	109¾	90	90¾	55	91½	23¾	78½	68	..	5
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	40⅞	12	22½	9⅝	12¾	..
N. Y., Ont. & W.	55⅝	25⅛	35	17	30½	16	21⅝	14¼	‡16½	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	125⅛	84¼	117⅝	100¼	‡103	7
Northern Pacific	159½	101¾	118⅞	75	99⅞	61¼	81½	63⅝	62⅝	5
Pennsylvania	75⅝	53	61½	40¼	49¾	32¼	47⅜	41½	44	3
Pere Marquette	*36½	*15	38⅛	9½	40⅝	12⅛	47¼	36	42¾	4
Pitts. & W. Va.	..	..	40⅜	17¾	94	21⅛	50⅝	33⅞	‡43¾	..
Reading	89⅝	59	115½	60⅛	108	60¾	81⅛	68½	76¼	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	56½	44	53	2
Do. 2nd Pfd.	58¾	42	52	33¾	65½	33¼	56¾	45	52¾	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¾	27	17½	18¾	..
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	36⅜	26½	29	..
Southern Pacific	139⅛	83	110	75¼	118⅛	67½	95¼	84½	86⅝	6
Southern Ry.	34	18	36¾	12½	33¼	17⅛	37¾	24¾	33	..
Do. Pfd.	86⅞	42	85¼	42	72½	42	70⅞	63	67	5
Texas Pacific	40½	10¼	29½	6½	70½	14	29½	17¼	19½	..
Union Pacific	219	137¾	164⅜	101¼	154¼	110	144⅞	125¾	129¾	10
Do. Pfd.	118½	79¾	86	69	80	61¼	76¼	70⅞	73	4
Wabash	*27⅞	*2	17½	7	14⅜	6	11½	8	8⅜	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	38	17	34⅛	23¼	27¾	..
Do. Pfd. B	..	..	32⅞	18	25½	12¼	22½	16½	‡18	..
Western Maryland	*56	*40	23	9¼	17¼	8¼	15	9⅝	10	..
Western Pacific	..	..	25½	11	40	13¾	20¼	15	17⅛	..
Do. Pfd.	..	..	64	35	78	51½	63⅝	53	59	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¼	6	10⅝	6½	7	..
INDUSTRIALS:										
Adams Express	270	90	154½	42	84	22	82	68	‡69½	5
Allied Chem.	..	..	..	..	91¾	34	80	62¾	66	4
Do. Pfd.	..	..	..	..	115½	83	112	106½	108	7
Allis-Chalmers	10	7⅝	49¼	6	59¾	26½	51¼	37¾	40	4
Do. Pfd.	43	40	92	32½	104	67½	97½	89⅞	92	7
Am. Agr. Chem.	63⅝	33½	106	47¾	113¾	26½	36⅞	10⅛	‡13	..
Do. Pfd.	105	90	103½	89⅛	103	51	68⅞	29⅞	34	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	49½	30	31	..
Am. Bosch Mag.	..	..	..	..	143⅞	29⅛	60	29½	32⅝	..
Am. Can	47⅜	6⅞	68½	19¼	76½	21¾	106	73½	91½	5
Do. Pfd.	129¼	98	114½	80	113⅞	72	115	106¾	‡108⅜	7
Am. Car & Fdy.	76½	36½	98	40	201	84⅛	189	148¼	158	12
Do. Pfd.	124¾	107½	119½	100	126⅛	105¾	125⅞	119¼	‡122	7
Am. Cotton Oil	79¼	33½	64	21	67½	14¾	20¾	3¾	6⅜	..
Do. Pfd.	107½	91	102¼	78	93	33½	38¾	14	17½	..
Am. Express	300	94¾	140½	77½	175	76	143¼	95	‡95½	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	13¾	6¼	7½	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	35	74¾	35½	37	..
Am. Ice	..	..	49	8⅞	122	37	111½	88½	93	7
Am. International	..	..	62¼	12	132¼	21⅛	33½	17⅛	19½	..
Am. Linseed	20	6⅞	47¾	20	95	17¼	38	17	‡20¼	..
Am. Loco.	74¾	19	98¼	46⅝	126¾	58	70⅞	64¾	69⅜	5
Do. Pfd.	122	75	109	93	122¼	96½	122	115	119	7
Am. Safety Razor	..	..	..	..	22	3½	9⅛	4⅞	5½	.25
Am. Ship & Com.	..	..	..	..	47½	4¾	21⅜	10½	13½	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	89¾	29¼	69½	53	56½	5
Do. Pfd.	116¾	98¼	118⅛	97	109⅝	63¼	102⅜	93	96¾	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	40⅞	31⅜	34½	3
Do. Pfd.	..	..	..	..	107	78	105¼	98	‡98	7
Am. Sugar	136⅜	99⅞	126⅜	89⅛	148⅜	47⅝	85	60¼	63¼	..
Do. Pfd.	133½	110	123½	106	119	67½	108¾	100⅛	102½	7
Am Sumatra Tob.	..	..	145¾	15	120½	23¼	36⅜	16	‡19	..
Do. Pfd.	..	..	103	75	105	52¼	65¾	32½	‡40¼	..
Am. Tel. & Tel.	153⅜	101	134½	90⅝	128¼	92⅛	125½	119⅛	122½	9
Am. Tobacco	*530	200	256	123	314½	104⅛	161⅛	140¼	146	12
Do. B	..	..	..	..	210	100⅛	159¾	140	144¼	12
Am. Woolen	40⅝	15	60⅞	12	169½	55½	109⅝	80½	85½	7
Do. Pfd.	107¾	74	102	72½	111¼	88½	111⅞	98⅝	101½	7
Anaconda	54⅜	27½	105⅜	24¼	77⅞	30	53½	38	41¼	3
Associated Dry Goods	..	..	28	10	68¼	48	89	62¼	82½	4
Do. 1st Pfd.	..	..	75	50½	86	49⅞	89	82½	85	6
Do. 2nd Pfd.	..	..	49½	35	91½	38	93½	88	‡89	7
At. Gulf & W. I.	13	5	147¾	4½	192⅝	18	34	9¼	13	..
Do. Pfd.	32	10	74¾	9⅞	76½	15¾	27	6¾	12½	..
Baldwin Loco.	60¾	36½	154½	26⅝	156¼	62¼	114¼	114½	120⅛	7
Do. Pfd.	107½	100¼	114	90	118	92	116¾	110	‡111	7
Bethlehem Steel B	*51⅝	*18¾	155½	59¾	112	41½	70	41¼	47¼	5
Do. 7% Pfd.	80	47	186	68	108	87	97½	87	‡88⅜	7
Do. 8% Pfd.	..	..	110½	92½	116⅝	90	111¼	100¼	‡101¾	8
Burns Bros. A	45	41	161½	50	147	76	144¾	116½	‡120	10
Do. B	..	..	..	..	53	43	43	22½	26	[illegible]

Price Range of Active Stocks

INDUSTRIALS Continued:	Pre-War Period 1909-13 High	Low	War Period 1914-18 High	Low	Post-War Period 1919-1922 High	Low	1923 High	Low	Last Sale July 25	Div'd $ per Share
Calif. Packing	..	..	50	30	87½	48¼	87	77¾	79⅜	6
Calif. Petro.	72½	16	42⅝	8	71⅞	15¾	29⅜	18½	20⅝	1¾
Calif. Petro. Pfd	95½	45	81	29½	98½	63	110½	94¾	‡98	7
Central Leather	51¾	16½	123	25⅞	116½	22⅛	40½	18⅛	20⅛	..
Do. Pfd.	111	80	117½	94⅞	114	57⅛	79¾	50¼	52	..
Cerro de Pasco	..	..	55	25	67½	23	50½	37¾	40⅜	4
Chandler Mot.	..	..	109⅞	56	141¼	38¼	76	46½	50½	6
Chile Copper	..	..	39¼	11¼	29¼	7¼	30⅛	24⅛	26¾	2½
Chino Copper	50⅜	6	74	31⅜	50⅞	16⅜	31⅞	17	19½	..
Coca Cola	..	..	..	..	82⅜	18	83⅜	72⅝	78	7
Colum. Gas & E.	..	..	54⅛	14¼	114⅞	39¼	37¾	30¼	34	2.60
Columbia Graph	..	..	*166	*97	75¼	1¼	2⅞	¾	⅞	..
Consol. Cigar	..	..	..	..	80	13½	39⅛	18	‡20½	..
Con. Gas	*165¼	*114½	*150½	*112½	*145¾	*71¾	69⅝	56¾	61⅜	5
Corn Prod	26½	7⅜	50½	7	134¾	46	139¼	114⅜	121	6
Do. Pfd.	98½	61	113½	58⅛	122¾	96	122⅜	116¼	‡117½	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	49	84½	61¼	63¾	4
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5¾	20	10	10¾	..
Cuban Amer. Sugar	*58	*33	*273	*38	*605	10⅞	37⅜	23½	26¾	..
Endicott-Johnson	..	..	..	..	150	44	94¼	62½	66½	5
Do. Pfd.	..	..	..	..	119	84	118	111	‡115½	7
Famous Players	..	..	..	..	123	40	93	65¼	74⅜	8
Do. Pfd.	..	..	..	..	107⅜	66	99¾	87½	‡89	8
Freeport Tex.	..	..	70½	25¾	64⅜	9½	22	9½	11⅜	..
Gen'l Asphalt	42⅞	15½	39⅜	14¼	160	32½	54	24¾	29⅜	..
Gen'l Electric	168½	129¾	187¼	118	190	109½	190⅛	170½	174	8
Gen'l Motors	*51¾	*25	*850	*74½	42	8⅛	17½	12¾	14	1.20
Do. 6% Pfd	..	..	99½	72¾	95	63	89	79	‡80	6
Do. 6% Deb	..	..	..	..	94¾	60	90	78¾	‡80¼	6
Do. 7% Deb	..	..	..	..	100	69	105	96	‡95	7
Goodrich	86½	15½	80¼	19⅜	93⅜	26⅝	41⅛	22⅜	‡25¼	..
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62½	92½	79¾	‡78⅞	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52¾	24⅞	36	25	27½	2
Houston Oil	25½	8¼	86	10	116½	40½	78	47	52	..
Hudson Motors	..	..	..	..	26¼	19½	32¾	20	23½	2½
Hupp Motors	..	..	11¾	2½	26⅛	4⅝	29½	16⅞	19	1
Inspiration	21⅝	13⅞	74¼	14¼	68⅞	28	43¾	27¼	30	2
Inter. Mer. Marine	9	2⅛	50⅞	⅝	67¾	7⅛	11⅝	5⅛	‡6½	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	36	47	21¾	‡23¼	..
Inter. Nickel	*227¼	*135	57½	24½	33⅞	11⅛	16¼	11⅛	13	..
Inter. Paper	19¾	6½	75½	9½	91¾	30¼	58⅝	34¾	35½	..
Invincible Oil	..	..	..	..	47⅛	5½	19¼	9¾	10⅛	..
Kelly Springfield	..	..	85¼	36⅞	164	25½	62⅛	30	34⅛	..
Do. 8% Pfd	..	..	101	72	110¼	70¼	108	96	‡95	8
Kennecott	..	..	64¼	25	43	14⅝	45	32	34½	3
Keystone Tire	..	..	46½	11	126¾	4¾	11⅛	4	5½	..
Lackawanna Steel	55½	28	107	26½	107¾	32	..	..	..	..
Lima Locomotive	..	..	..	..	65⅜	52	74⅞	58¼	61⅞	4
Loews, Inc.	..	..	..	..	38⅜	10	21¼	14	16	..
Loft, Inc.	..	..	..	..	28	7¾	11¾	6⅛	6½	..
Miami Copper	30¼	12¾	49⅜	16½	32¾	14⅛	30½	22½	25	2
Middle States Oil	..	..	..	..	71¾	10	12¼	6⅞	7½	1.80
Midvale Steel	..	..	98½	89½	62¼	22	33⅜	21½	24	..
Nat'l Lead	91	42½	74⅝	44	129¼	63½	136¾	108	115	8
N. Y. Air Brake	98	45	136	55⅞	145¾	45⅛	41	26⅝	32	4
N. Y. Dock	40¼	8	27	9¼	70¾	16¼	27	15¼	‡17	..
North American	*87⅞	*60	*81	*38⅞	100¾	32¼	24¼	17½	21⅝	2
Do. Pfd.	..	..	..	..	47¼	31⅞	48½	42½	44⅝	3
Pacific Oil	..	..	..	..	69⅜	27½	48⅞	31½	33¼	2
Pan. Amer. Pet.	..	..	70¼	35	140¼	38⅛	93½	55¼	62⅝	8
Do. B	..	..	..	..	111¾	34⅛	80	51	59½	8
Philadelphia Co.	59¼	37	48⅞	21½	48	26½	50¼	41	‡44½	4
Phillips Pet.	..	..	..	..	59¼	16	69⅝	21⅝	23	3
Pierce Arrow	..	..	65	25	99	9¼	15¼	6¼	‡8½	..
Do. Pfd.	..	..	109	88	111	18⅞	35⅝	13½	19⅛	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	45	67⅞	58	‡58	4
Pressed Steel Car	56	18½	88¼	17¼	113¾	48	81½	51½	‡54¼	..
Do. Pfd.	112	88½	109⅛	69	106	83	99¾	86	‡90	7
Punta Aleg. Sug	..	..	51	29	120	24¾	69¼	48	50	..
Pure Oil	..	..	142⅞	31⅞	61⅞	21½	32	16⅞	18⅛	2
Ry. Steel Spg	54½	22¼	78½	19	126¼	67	123	100	‡103¾	8
Do. Pfd.	113⅜	80¼	105½	75	120	92½	121½	115½	‡114¼	7
Ray Cons. Cop.	27½	7½	37	15	27½	10	17¼	10	11¼	..
Replogle Steel	..	..	..	..	93½	18	31¾	12½	13½	..
Republic I. & S.	49½	15¾	96	18	145	41⅛	66¾	40⅛	44¼	..
Do. Pfd.	111¼	64½	112⅝	72	106¾	74	96⅞	86	‡91	7
Royal Dutch N. Y	..	..	86	56	123⅜	40½	55⅛	42½	46¼	3.52
Shell T. & T.	..	..	..	..	90¼	30⅞	41¼	30	30	.92½
Sinclair Con. Oil	..	..	67⅛	25¼	64¼	16½	39⅜	22½	23½	2
Stand. Oil N. J.	*448	*322	*800	*355	*212	38⅜	44¼	31½	32⅝	1
Do. Pfd.	..	..	..	..	120	100⅛	118	115	‡117	7
Stromberg Carb	..	..	45¼	21	118¾	22⅛	94⅛	59½	69⅝	7
Studebaker	49½	15¾	195	20	151	37¾	126⅜	98¼	104½	10
Do. Pfd.	98⅛	64½	119½	70	118¾	76	116	112	‡115	7
Tenn. Cop. & Chem	..	..	21	11	17¼	6¼	12¾	8	9½	1
Texas Co	144	74½	243	112	57¾	29	52⅞	41¼	42	3
Tex. Pac. C. & O	..	..	..	..	195	15¾	24¾	10	10⅛	1
Tobacco Prod.	145	100	82⅜	25	115	45	61½	47⅛	49¾	..
Transcontl. Oil	..	..	..	..	62⅝	5⅝	14½	5	6	..
United Fruit	208½	126½	173	105	224⅞	95¾	183	152½	‡168¾	8
Un. Retail Stores	..	..	..	..	119¼	43½	84⅛	64⅜	‡71	3½
U. S. Ind. Alco	57¼	24	171½	15	167	35¼	73¼	40	49	..
U. S. Rubber	59½	27	80½	44	143¾	40½	64⅞	38½	43	..
Do. Pfd.	123½	98	115¼	91	119½	74	105	94¼	98	8
U. S. Smelt. & R.	59	30⅜	81½	20	78¼	26	43⅜	20	26	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	109⅝	89¼	90¾	5
Do. Pfd.	131	102½	123	102	117½	104	123½	116¾	118	7
Utah Copper	67½	88	130	48½	97½	41⅛	76½	56	60	4
Vanadium	..	..	..	..	97	25⅛	44⅝	24¾	29½	..
Va.-Caro. Ch.	70⅛	22	60¼	15	92½	20¾	27	6¼	9	..
Do. Pfd.	129½	62	115⅜	80	115⅞	57¾	69	17	24⅜	..
Western Union	86¼	56	105½	53⅜	121¼	76	119½	101⅛	107	7
Westinghouse Mfg	*85	24¾	74⅞	32	50⅞	38⅞	67⅛	52½	57	4
White Motors	..	..	60	30	86	29¼	60⅞	45	50	4
Willys Overland	*75	*50	*325	15	40¼	4½	8½	5	7⅛	..
Wilson Co.	..	..	84¼	42	104⅞	27⅛	42¾	19	24	..
Woolworth	177⅜	76⅛	151	81½	223	100	243	199⅛	‡232	8

* Old stock. ‡ Bid price given where no sales made.

ANSWERS TO INQUIRIES

(*Continued from page 645*)

orders, and if its present volume of business continues during the next six months, the previous record made during the war boom will be reached and possibly surpassed. With such a large volume of orders on its books, a conservative estimate is that General Electric will show at least $20 a share earned on the stock this year. This company is in very strong financial condition, cash and Government securities at the present time being about 85 millions. The present dividend rate of $8 per share per annum in cash and $5 per share per annum in 6% special stock appears very well secured, and the possibility exists of extra dividends being paid in addition. At present levels of 174, the stock gives a return on the investment of 7.5%, which is unusually high for as sound a stock as General Electric common. In our opinion, it is advisable to hold the stock for still higher levels.

COSDEN & COMPANY

Large Supply of Gasoline on Hand

I like to have some information as to what the situation is in regard to Cosden & Co. at the present time. I have the company's annual report for 1922, and I am familiar with the company's performances in the past, but I am not quite aware as to just how they stand at the present time. The situation must be rather unsatisfactory in order to have a $4 stock such as Cosden sell as low as 38. I hold a small amount of the stock. Would you retain it or switch into something else.—A. N., Portland, Maine.

Cosden & Co. net earnings for the first quarter of 1923 were $3,178,458 before taxes and depletion, which is 60% ahead of the same period in 1922. The second quarter earnings are understood to have been even better than the first three months. The situation now, however, has taken a decided turn for the worse. The big production in California has resulted in oil stocks piling up, and although the demand is heavy at this time of the year, it is not sufficient to catch up with the supply. Cosden & Co. has about 70 million gallons gasoline on hand at the present time and apparently is going to have a lot of difficulty in disposing of this supply at a satisfactory price. It looks now as though earnings in the last six months of the year will be unsatisfactory and more than offset the gains reported in the first six months. At present prices the stock has probably discounted a good deal, but we feel there are other securities in a more favorable position. In our opinion, it would be a good move on your part to switch into Standard Oil of California, selling around 50. This company is the most important factor in the California field, and is in a position at the present time to pick up properties at very low prices which will ultimately mean large profits. (*Please turn to page 679*)

COLUMBIA GAS & ELECTRIC CO.

(*Continued from page 634*)

this Act unconstitutional eliminating a possible cause of much trouble in future times.

The immediate effect of the decision would seem to be increased gas rates of subsidiary companies within the state of West Virginia. While the law was in litigation, it was almost impossible to secure higher rates. Steps have already been taken toward higher rates. In some communities, as low as 20 cents a thousand cubic feet was being paid for gas with a heat standard twice that of the ordinary standard of artificial gas.

Possible Developments

Examination of the company's asset position and contemplated construction program reveals no necessity for new financing in the near future. It is stated emphatically by officials that none is necessary and cash resources are more than ample to take care of future requirements. It is stated that since January 1, last, Columbia Gas and subsidiaries have reduced bond and stock issues to the extent of 3.4 millions of dollars. A balance sheet of the parent company consolidated with 100% owned subsidiaries as of June 30 showed current assets including marketable securities in excess of 10.4 millions, while current liabilities were 2.8 millions, or a ratio of 4 to 1. United Fuel Gas assets are 4 to 1 over current liabilities while the combined total gives a ratio of 4 to 1.

On the other side of the picture, it is quite possible that some time in the future Columbia Gas & Electric will go into the oil-producing game on a large scale. It is believed that much of the lands controlled contain valuable oil fields. However, up to the present, the company has been more interested in developing the gas and electric properties. The opinion of an official of the company recently expressed to the writer was that while the time was not now propitious for oil development on a large scale, the subject had been given serious thought and the near future might see some action along this line. This phase, however, is more speculative and should be considered only as a possibility for the future having no bearing on current earning power.

A word as to rates, the most important item with a public utility company, is timely. Natural gas rates seem to be ascending rather than to show any tendency to decline and it is indicated that they will work higher. Columbia Gas has a contract in Cincinnati for 55 cents a thousand cubic feet with two more years before expiration, the contract having

been for three years. No trouble has been experienced so far with electric rates.

Conclusion

Selling around 33, the new no par value shares show a yield of about 8%. Range so far this year for the new stock has been between 30¼ and 37¾. **Shares seem well stabilized at current levels of around 33. The issue will naturally follow the major course of the market, but, with indicated earnings and probability that the dividend rate will work higher with a continuation of these earnings, outlook appears good. Two favorable factors are the absence of any need for financing in the near future as far as can be foreseen and the rate situation, which is good.**

BALDWIN LOCOMOTIVE COMPANY

(*Continued from page* 623)

as it well seems to be, Baldwin is storing up another tidy nest egg.

In view of the accelerated rate of the equipment business, the fact that Baldwin will score large earnings this year is not open to question. Of course, it is possible the stockholders may receive something more than the regular 7% disbursement, but this is now a matter for mere speculative conjecture and cannot be given a place of stock-market importance.

Conclusions

Ahead of the $20,000,000 Baldwin common is an issue of $20,000,000 7% preferred stock and a funded debt of $10,000,000. This funded debt, 80% of which is not due until 1940, bears interest at the rate of 5% and represents an investment medium of first grade. Dividends have been paid regularly upon the preferred stock since 1911, the year in which the present company was incorporated, and these senior shares appear to the writer to be entitled to a solid investment rating.

It is almost superfluous to say that Baldwin common is one of the great speculative favorites. At times the stock loses its individuality and personality and becomes merely a market symbol, a popular stock used by traders to express their views of the general market trend. Naturally the value of Baldwin common in the long run is determined by the state of the equipment business, and these dramatic trading situations, which are frequently forced upon the stock, are confusing in that the outside observer sometimes loses their real meaning and might be too ready to attribute unusual fluctuations to some development affecting the company itself and not to general market symptoms. The stock is subject to wide swings on account of this speculative interest and is not an issue for the speculator who is not able to protect comfortably his commitments. **Weak holdings have been shaken out in the recent slump, and the market foundation, upon which the shares rest, seems now to be substantial and to invite purchase rather than sale.**

WHAT OF THE STANDARD OILS?

(Continued from page 637)

ada, Peru, Bolivia, Colombia, Roumania, Brazil, northern Africa, West India, Nicaragua, Guatemala, Venezuela, Argentina, Uruguay, Paraguay and Chile. In fact, the rumble of its tank wagons, like the roll of British drums, might be truthfully said to follow the course of the rising sun around the world. Even a cursory description of its properties and interests would take more space than is given to this entire article.

Sales average around half a billion dollars yearly and working capital ranges from $350,000,000 to over $400,000,000. The company operates six refineries equipped to manufacture all petroleum products and having a capacity of 107,200 bbls. daily. In addition, there are stills and equipment for reducing crude oil for fuel oils, pitches, asphaltum, etc., with a daily capacity of 129,000 bbls. of crude oil. The accompanying table summarizes earnings for the last decade.

The rate of dividends paid as shown above indicates that the plan of the management to keep the stock on a 20% basis has been changed as the increased common stock now pays $1 annually on a par of $25. At present market prices the yield is approximately 3.3%, a nominal enough return and one that is not so likely to draw the fire of hostile criticism as the former, higher rate.

The recently closed contract between the Standard Oil of California and the Standard Oil Co. of New Jersey whereby the former has sold to the latter 36,000,000 bbls. of fuel oil deliverable at the rate of 1,000,000 bbls. a month on a sliding scale of prices, based on New York prices, is greatly to the advantage of both companies. The oil will be delivered in San Pedro harbor from the pipe lines of the California company to ships of the New Jersey company. In view of the congested condition of the southern California fields this contract will prove of great benefit to the western concern which will be under no necessity of providing shipping facilities. On the other hand, it will help to solve the looming problem of the eastern concern arising from the diminishing supply of Mexican crude.

The time to buy any long-term security is when the industry which that security represents is depressed. While Standard of New Jersey will undoubtedly make money this year it will show no new high record. Standard of New Jersey common, selling only slightly above its low for the year, is in an attractive long-pull position. There is, of course, no guaranty that it will not sell lower, but the fate of the investor who waits for the bottom or the top eighth is well known. Standard of New Jersey represents nothing if it does not represent diversification. Oil is a fundamental industry. To wait until the industry shows an unmistakable turn upwards might mean the loss of an opportunity to invest which might not re-occur for a long time.

STANDARD OF INDIANA

To attempt to choose the "best" of the Standard Oil companies is a good deal like trying to fix the ultimate maximum. No consideration of representative Standard Oils, however, would be complete which did not include Standard of Indiana. This concern is an "old-line" company, with no bonds and but one class of stock of which $220,181,638 par value of an authorized issue of $250,000,000, par value, is outstanding. Until 1920, there was only $30,000,000 of stock outstanding, par $100. Standard of Indiana, together with Standard of New Jersey, is a favorite target for legislative attacks, but to date has survived without injury. Earnings have increased greatly in recent years as shown in the accompanying table.

Standard of Indiana's interests are very large. It owns refineries at Whiting, Ind., Sugar Creek, Mo., Alton, Ill., Casper, Wyoming and Graybull, Wyoming, each of which is connected with extensive pipe lines. The Whiting refinery is one of the largest and most modern plants in the world and produces every product derivable from crude oil. It extends over 400 acres and has a capacity of 60,000 bbls. daily.

This company owns the famous "Burton process" for "cracking" oil and producing gasoline and turns out 1,500,000 gallons of gasoline daily from its five refineries. The Burton process has proved the most reliable and successful of any so far developed. A conservative oil man stated to the writer that the Standard of Indiana placed a value of $200,000,000 on its rights to the Burton process. The great increase in earnings since 1913, has been largely due to this cracking process. Other companies are allowed to use the Burton process on a royalty basis.

Standard of Indiana's interests are very extensive. It controls about 50% of the business in the Mid-continent field although there are upwards of 100 other refiners in that territory.

The position of the stock is practically the same as that of the Standard of New Jersey, although it makes a slightly higher return, showing 4.6% on a price of 54. As has been previously pointed out, however, the investor in Standard Oil should buy

STANDARD OF INDIANA

(In Thousands)

	1918	1919	1920	1921	1922
Operating income	$43,263	34,604	61,377	23,288	55,881
Net income	23,263	24,807	40,973	21,288	49,381
Dividends	7,200	7,200	9,116	15,686	17,453
Year's surplus	16,063	17,607	31,856	5,602	31,927
Total surplus	87,509	105,117	115,830	143,222	69,032

for long-range prospects and not imme-diate returns. **Selling just above the low for the year, Standard of Indiana is attractive as a long-pull investment.**

PRAIRIE OIL & GAS CO.

This company has been somewhat slower in distributing stock dividends than many of the Standard Oils, but at the end of 1922, it was confronted with either increasing its greatly swollen surplus to a total of nearly $93,000,000, or reducing it by a stock dividend. The latter course was chosen and the stockholders received 200% in stock bringing the capital stock up to $54,803,400 par value. The value placed by the market on the 548,034 shares outstanding is in excess of $100,000,000, so that in spite of its blood-letting, Prairie Oil & Gas still ranks among the "high-priced" Standard Oil issues. Prairie Oil & Gas is an old-line Standard Oil concern, old-fashioned, perhaps, as contrasted with certain others of the Standard Oil brood. It has one class of stock, no funded debt, plenty of cash and a huge working capital. It has oil-producing properties in Oklahoma, Kansas, Texas and Wyoming, with a production of upwards of 25,000 bbls. a day and takes practically the entire run of the Prairie Pipe Line Co. In addition, the company has reciprocal arrangements with various other producers, including the Texas & Pacific Coal & Oil Co., the Commonwealth Petroleum Corporation and the Ryan Petroleum Corporation. Inasmuch as Prairie Oil & Gas does not find it necessary to publish an income statement or other corporate details, which most concerns now furnish their stockholders, there is no way of telling how these various agreements are working out. Doubtless they are profitable on the whole, though doubltess they have been less profitable than expected when originally made.

Through its strategical position in the mid-continent field and its more important strong financial position Prairie Oil & Gas is in a position to take advantage of the opportunities for shrewd buyers which always turn up in times of oil depressions like the present. The Standard Oil companies, like Russell Sage, always plan to be in funds when the other fellow is short. It is an excellent business principle which makes for long profits in the long run.

Prairie Oil & Gas stock, like that of Standard of California, shows a small return on present prices. **The investor who purchases, therefore, will have his objective, not the 3.9% return which the stock makes at present, but the considerable profits which he may reasonably expect to receive over a period of time. And he should be in a position to patiently await for the maturing of swelling equities.**

Which of the four stocks mentioned in this article is the "best"? That is a matter of individual judgment since the investor is not likely to go far wrong in any one. If the writer were required to make a decision he would put Standard of Indiana and New Jersey first and Standard of California and Prairie Oil & Gas second. An investment including some of each of the four stocks would be even better.

Current Bond Offerings

New Bond Issues Fall to Low Level—Underlying Factors

THERE was not much of anything doing in the new bond market during the past two weeks, in fact, the total amount of new issues falling to what is a low record for the period for several years. Underlying this lamentable showing, is the distinct apathy of the investing public who have not even bothered to reinvest their July funds, at least to the normal extent. Many investors, distrustful of conditions, have preferred to keep their funds idle in savings banks or other forms of bank accounts. Even the larger institutions have been practically out of the market for the past few weeks.

As to whether a change from these conditions will occur in the near future is difficult to forecast with any degree of accuracy at this time, but, in view of the prevailing uncertainty, it does not appear that the attitude of investors will be materially altered until perhaps the opening of the fall season when a better idea will be had of the business situation.

No New Features

There were practically no features in the new bond section, even the state and municipal issues being confined to relatively small amounts. There were no bonds of foreign extraction, nor is there likely to be any until the German-French impassé is ended.

Little is looked for in the way of public utility or railroad financing in the near future, but it is possible that Canada may lend new interest to the situation by entering this market for funds in connection with her impending refunding of $150,000,000 war loans.

NEW BOND OFFERINGS

	Amount	Off'd Yield (%)
STATE AND MUNICIPAL		
Garden City, N. Y.	$883,000	4.25-4.40
Northampton Co., Pa.	1,000,000	4.05
Mt. Vernon, N. Y.	200,000	4.10-4.25
PUBLIC UTILITY		
Penn.-Ohio Edi'n Co.	$3,250,000	7.15
RAILROAD		
C. R. R. of N. J.	$3,750,000	5.05-5.20
INDUSTRIAL		
Bertha-Consumers Co.	$600,000	5.50-6.10

MR. ARMOUR STEPS DOWN

(*Continued from page* 601)

Chicago Stock Exchange and up to that time there had been no public market for any of the company's securities. Philip D. Armour's younger son bearing the same name as his father, passed away in 1900 and a year later Philip D. himself laid down the cares of this world. J. Ogden Armour, while still under forty, inherited a commercial empire which falls to the lot of few men. In addition to the principal business of meat packing the company had branched out into by-products and allied industries on a big scale, fertilizer, grain, leather, soap works, glue works, ammonia works, canned goods, groceries, and other merchandise. The number and variety of products was astonishing. At that time Armour & Co. did a gross business of about $100,000,000 a year which was considered an enormous turnover. By 1916 the turnover had passed $500,000,000. Speaking of J. Ogden Armour at the time a Chicago banker said:

"'P. D.' was not so optimistic, not so far-seeing, not so ready to dare as his son. The son has gone beyond what his father would have approved in branching out." But the branching out had hardly begun. Looked at in the light of recent events the words of the Chicago banker appear prophetic. *Those who aspire to be Napoleons should study the ultimate fate of Napoleon.*

"What Goes Up Must Come Down"

Our entry into the Great War brought an enormous tide of business to Armour & Co. The turnover in 1918 was $861,000,000 and in 1919 reached the staggering total of $1,038,000,000. One is tempted to wonder if the shade of "P. D." was resting quietly. Increased business, however, did not mean correspondingly increased profits. In 1916 the ratio of manufacturing profits to gross was 5.1% and in 1917 5.2%. But in 1918 the ratio decreased to 3% and in 1919 to 2.6%. In short, the ratio of manufacturing profits to sales had decreased almost in direct ratio to the increase in sales. After 1919, the company reported only net income, which in itself was an admission that all was not well. But if the ratio of manufacturing profits decreased the need for additional working capital to handle the enormously enlarged volume of business increased. By 1919 Armour & Co. had added to its $100,000,000 stock and $50,000,000 bonds, $28,390,000 preferred stock, $31,609,000 debentures and notes and owed nearly $31,000,000 to subsidiary companies. At present time outstanding capitalization consists of $100,000,000 bonds, $60,000,000 preferred stock and $100,000,000 common stock.

Increased bonded and debenture indebtedness means increased interest charges. From 1916 to 1919, total deductions, which include interest, administration expenses, taxes, insurance, etc., increased from $7,062,000 to $12,879,000, a jump of nearly 83%. The net result was that while Armour & Co. showed a net income of $20,000,000 in 1916 on sales of $525,000,000,

in 1919 it showed only $14,306,000 on sales of more than a billion. All of which would have been satisfactory enough had it not been for what followed.

The height of the post war boom 1919 found Armour & Co. carrying a tremendous inventory valued at $159,000,000 compared with $57,000,000 in 1916. It is fair to assume that the necessity for writing down inventory values was the chief reason for the huge deficit of $37,256,000 in 1921 and the deficit of $12,062,000 in 1922. Two years with losses totaling nearly $50,000,000 is enough to disturb the strongest financial organism. It is a tribute to Armour & Co. that it was able to withstand such crushing blows and that its preferred stock is still selling at three quarters of par value.

To the victor belong the spoils and to the loser the blame. Who shall say that J. Ogden Armour was to blame for the operation of events which no man could foresee or forces which no man could control? In view of the spectacle of so redoubtable a financier as Henry Ford escaping the clutch of the bankers by the narrowest of margin, one hesitates to criticise. But the laws of tall finance are inexorable. One must succeed and one must not be found out. Under those rules all things are permitted.

Armour & Co. now seems to be rounding into shape. Its losses have been written off, its inventories reduced to nearly a pre-war basis, sales are reported as greater than the combined sales of the Swift-Morris companies before their consolidation and interest and dividend requirements are reported as being earned. There is no good reason to suppose that all this would not have taken place had not Mr. Armour turned over the control of his company to his banker friends. All of which goes to prove that events make or unmake men as much as men make or unmake themselves. Armour was in control during the bad times and not in control in the renaissance which appears to be under way. Hence he will be charged with the unhappy results and will not be credited with the good things which seem likely to follow. Sic transit!

Armour to Retire?

If the report is correct that Mr. Armour plans to dispose of a portion of his holdings in the company to officers, employees and the public, then it would appear that having shifted the greater part of his industrial burden he intends to allow it to remain permanently on other shoulders. History is replete with anecdotes of potentates who have laid aside the cares of state with a sigh of relief. The direction of a great enterprise in this tense, competitive United States of America is more arduous and exacting than any rule of empire. One must be driven by gnawing ambition or the urge of stern necessity to take up the load of business cares after once laid aside, especially after one reaches sixty years of age. The pride of possession and the flattery of power are old stories to Mr. Armour and he undoubtedly is many miles ahead of the sheriff. Who may question his decision, if such it is, to indulge his leisure in the afternoon of his life?

UNLISTED UTILITY BOND INDEX

POWER COMPANIES

	Investment Grade	Asked Price	Yield
Adirondack Power & Light 1st & Ref. 5s, 1950	B..	99½	6.05
Adirondack Electric Power 1st 5s, 1962	A..	96	5.25
Alabama Power Co. 1st 5s, 1946	B..	91½	5.65
Appalachian Power Co. 1st 5s, 1941	B..	88	6.10
Appalachian Power Co. 7s, 1936 (Non-Callable)	B..	101	6.90
Ashville Power & Light 5s, 1942	B..	94	5.50
Carolina Power & Light 1st 5s, 1938	B..	94	5.60
Central Maine Power 1st & Gen. Mtge. 7s, Ser. A, 1941	B..	105	5.50
Colorado Power Co. 1st 5s, 1953	B..	87½	5.95
Consumers Power Co. (Mich.) 1st 5s, 1936	B..	95	5.60
Electrical Development of Ontario 5s, 1933	B..	95	5.70
Great Northern Power Co. 1st 5s, 1935	B..	91	6.15
Great Western Power Co. 5s. 1946	B..	91	5.70
Hydraulic Power 1st & Imp. 5s, 1951	A..	98	5.15
Indiana Power Co. 7½s, 1941	B..	102½	7.25
Idaho Power Co. 5s, 1947	B..	88	5.90
Laurentide Power Co. 1st 5s, 1946	A..	94	5.45
Madison River Power Co. 1st 5s, 1935	A..	99	5.10
Mississippi River Power 1st 5s, 1951	B..	92½	5.55
Nebraska Power Corp. 1st 6s, 1949	B..	101	5.95
Niagara Falls Power 1st & Cons. Mtge. 6s, 1950	A..	104	5.50
Penn.-Ohio Power & Light 8% Notes, 1930	B..	104	7.25
Puget Sound Power Co. 1st 5s, 1933	A..	97	5.35
Salmon River Power 1st 5s, 1952	B..	95	5.38
Shawinigan Water & Power 1st 5s, 1934	A..	101	4.90
Southern Sierra Power Co. 1st 6s, 1936	A..	101	5.80
Wisconsin Edison Co. 6s, 1924	A..	100½	5.50

GAS AND ELECTRIC COMPANIES

	Investment Grade	Asked Price	Yield
Bronx Gas & Electric 1st 5s, 1960	B..	88½	5.80
Burlington Gas & Light 1st 5s, 1955	B..	83	6.25
Buffalo General Electric 1st 5s, 1939	A..	100½	4.95
Cleveland Elec. Ill. Co. 5s, 1939	A..	99	5.10
Cons. Cities Light, Power & Traction 1st 5s, 1962	C..	68	7.60
Dallas Power & Light 6s, 1949	B..	101	5.90
Denver Gas & Electric 1st 5s, 1949	A..	93	5.50
Evansville Gas & Electric 1st 5s, 1932	B..	95	5.80
Houston Light & Power 1st 5s, 1931	B..	95	5.80
Indianapolis Gas Co. 1st 5s, 1952	B..	87	5.95
Nevada-California Electric 1st 6s, 1946	B..	94	6.45
Oklahoma Gas & Electric 1st & Ref. 7½s, 1941	B..	103	7.20
Oklahoma Gas & Electric 1st Mtge. 5s, 1929	B..	95	6.10
Portland Gas & Coke 1st 5s, 1940	B..	91	5.85
Rochester Gas & Electric 7s, Series B, 1946	B..	110	6.00
San Diego Cons. Gas & Electric 1st Mtge. 5s, 1939	B..	93½	5.62
Syracuse Gas Co. 1st 5s, 1946	A..	94	5.80
Tri-City Railway & Light 5s, 1930	B..	92	6.45
Twin State Gas & Electric Ref. 5s, 1953	B..	80	6.50
United Light & Railway 5s, 1932	B..	86½	7.05

TRACTION COMPANIES

	Investment Grade	Asked Price	Yield
Columbus Street Railway 1st 5s, 1932	B..	88	6.80
Detroit United Railway 1st Coll. 8s, 1941	B..	107½	7.25
Galveston-Houston Electric Railway 1st 5s, 1954	B..	82	6.30
Kentucky Traction & Terminal 5s, 1951	C..	75	7.15
Knoxville Railway & Light 5s, 1946	C..	81	6.63
Minn. Street Ry. & St. Paul City Ry., Jnt. 5s, 1928	B..	94	6.40
Memphis Street Railway 5s, 1945	C..	78	6.95
Northern Ohio Traction & Light 6s, 1926	B..	95	7.90
Nashville Railway & Light 5s, 1953	B..	92	5.55
Schenectady Railway Co. 1st 5s, 1946	C..	67	8.20
Topeka Railway & Light Ref. 5s, 1953	B..	86	6.15

HOLDING COMPANIES

	Investment Grade	Asked Price	Yield
American Lt. & Trac. 6s, 1925 (Without Warrants)	A..	101½	5.20
American Gas & Electric 6s, 2014	B..	94	6.35
American Power & Light 6s, Series A, 2016	B..	93	6.45
Federal Light & Traction 1st 5s, 1942	B..	84	6.50
General Gas & Electric s. f. 7s, 1952	B..	100	7.00
General Gas & Electric 1st 5s, 1925	B..	99	5.70
Middle West Utilities 8s, 1940	A..	105	7.45
Standard Gas & Electric 7½s, 1941	B..	103½	7.15

TELEPHONE AND TELEGRAPH COMPANIES

	Investment Grade	Asked Price	Yield
Bell. Tel. Co. of Canada 1st 5s, 1925	A..	98¾	5.85
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A..	95½	5.55
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936	A..	95	5.15
Western Tel. & Tel. Collateral Trust 5s, 1932	A..	96	5.40

SLOW INVESTMENT MARKET

Buying Continues Dull Even Among the Utilities—A Very Attractive Bond Issue

THERE has been little change in the investment market with prices showing small fluctuation over previous weeks. A general apathetic condition prevails and the expectation is that within the next few weeks a slight stiffening tendency in bond prices can be looked for. Undoubtedly the usual July investment market failed to materialize to any extent, but this may have been caused by the general feeling of unsettlement coincident to the troubles in Wall Street. The financial failures in Wall Street could not fail to be reflected in distrust in all parts of the country, so that the theory advanced by some hopeful dealers in bonds to the effect that a demand may develop in August seems to have some foundation.

Large Bank Surpluses

Another favorable angle to the situation is the unusually large surpluses being shown by banks. Reserves of the Federal Reserve institutions are also showing larger figures than they have. One large house which does considerable business in the West has received word from western branches looking for a better demand and pointing out the large amounts of capital lying idle as shown by current statements. Naturally these institutions cannot long afford to permit these conditions to prevail, and, if means to utilize excess funds are not provided, the banks will probably go into the bond market.

While all the above may result in a better demand for bonds, as pointed out in these colunms previously, even the most optimistic are not looking for any great bond market this year.

Public utility issues have been quiet the past two weeks. While the market has been dull, prices have remained firm with the indication that of the better-grade and seasoned bonds, there are few for sale at current prices. Considerable progress has been made toward digesting much of the newer issues as for the time being the large amounts of new securities are diminishing.

Situation Among Public Utility Issues

Reflecting to some extent the strike of employees, the Schenectady Railway Co. 1st 5s of 1946 continue to be depressed and are now quoted 60 @ 67. It is quite probable that a little inquiry among dealers would permit purchase of small amounts of bonds under the asked price, so that, taking the maturity date into consideration, a yield of better than 8% is shown. Even ignoring the yield if held to maturity, as a straight investment proposition, an investment at 65, for instance, would show close to 8% return. The issue looks cheap at these prices, though it is hardly likely that any great amount of bonds are to be had at current quotations.

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

American Arch (8P)	**60 — 70
American Book Co. (6)	85 — 90
American Cyanamid (4)	47 — 51
Pfd. (4)	67 — 70
American Type Founders (6)	71 — 74
Pfd. (7)	98 —101
American Thread pfd.	3¾— 4¼
Atlas Portland Cement (4)	65 — 72
Babcock & Wilcox (7)	103 —105
Borden & Co. (8)	115 —117
Pfd. (6)	100 —103
Bucyrus Co.	34 — 36
Pfd. (7)	104 —...
Celluloid Co. (6)	83 — 89
Childs Co. (8)	134 —137
Pfd. (7)	107 —109
Congoleum Co., 1st pfd. (7P)	98½—100
Congoleum com. (8)	214 —216
Crocker Wheeler (2)	40 — 50
Pfd. (7)	89 — 90
Curtiss Aero & M.	7½— 8½
Pfd.	30 — 35
Jos. Dixon Crucible (8)	137 —142
Gillette Safety Razor (12P)†	240 —245
Ingersoll Rand (8)	125 —130
McCall Corp'n	39 — 42
Pfd.	116 —122
New Jersey Zinc (8P)	152 —154
Niles-Bement-Pond	31 — 34
Pfd. (6)	75 — 85
Phelps-Dodge Corp'n (4)	153 —160
Poole Engineering (Maryland):	
Class A w. i.	20 — 26
Class B w. i.	9 — 14
Royal Baking Powder (8)	122 —130
Pfd. (6)	98 —100
Safety Car H. & L. (6)	82 — 84
Savannah Sugar	60 — 64
Pfd. (7)	83 — 84
Singer Mfg. Co. (7)	112 —114
Superheater Co. ($8P)	113 —116
Thompson-Starrett (4)	57 — 65
Victor Talking Mach. (8)	155 —160
Ward Baking Co. (8)	108 —115
White Rock (5)	47 — 50
2nd Pfd. (5)	57 — 60
1st Pfd. (7)	86 — 90
Yale & Towne (4)	62 — 64

* Dividend rates in dollars per share designated in parentheses.
† Listed on N. Y. Curb Exchange.
P—Plus Extras.
x—Ex-Dividend.
** New stock.

SECURITIES in the Over-the-Counter market ruled quiet and firm during the fortnight just ended. There were practically no price-changes of importance, and dealings were at a minimum. Certain developments of considerable interest were announced in connection with some of the corporations listed in our quotation table overhead, of which the more important may be summarized here.

White Rock Declares Common Dividend

A PARAGRAPH in our last previous review said:

"In view of the company's increasingly good earnings, the belief that dividends will be inaugurated on the common in the near future is rapidly gaining currency. In fact, it seems likely that action along these lines will be taken within a matter of weeks, and the expectation is in well-informed quarters that the rate to be declared will be 5%."

On the very heels of this notice, the directors of the White Rock Mineral Springs Co. met and declared a dividend of 2½% on the common stock.

The common dividend, as declared, is not the first to be paid on White Rock common. But it might as well be, so far as more recent stockholders are concerned. Not since 1908 had the corporation paid anything to its common shareholders, so the recent directors' action marked the first of its kind in over 15 years.

White Rock's ability to resume common dividends is the result of an effective management policy applied to a popular and well-established product. The predecessor company to the present corporation—known as the National Water Co.—had its troubles, and it has taken time to regain the ground which it lost. This has been done, however, and today the company may be said to be on a prosperous and sound footing.

Earnings of the company for the first six months of the current year were approximately $408,000, or at annual rate of $13.5 per share on the 10,000 shares of participating 2nd preferred stock and the 40,000 shares of common. (As stated in the last issue, the second preferred shares equally with the common in any dividends paid after 5% has been declared on the common.) This result compares with $360,000 earned in the first half of 1922. With the latter half of the year including a good portion of the summer season, and knowing that June, last, was better than any previous month of the year, it seems reasonable to expect as good, and perhaps better results in the last than in the first six months, in which event the forecast of better than $950,000 net for the full year printed in the previous review may not prove very far out of the way.

At current levels, White Rock 2nd preferred ($60 per share) offers a yield, at the flat 5% rate, of better than 8.30%; while the common ($50 per share) offers a yield, at the same rate, of exactly 10%. The company's poor record in previous years is about the only justification for

these high yields, and it does not seem likely that its affairs will revert to any such status.

Hence, this Department is inclined to recommend the common shares for speculative buyers in the belief that they should prove a highly satisfactory long-pull commitment.

Another Congoleum Melon

CONGOLEUM CO., which has enriched its stockholders on a remarkable scale in the past two years through successive stock and cash distributions, made possible, of course, by the sweeping success the company has attained in its field, has recently announced a new distribution. The statement made by President Foster in connection with the latest action will interest those who have been following the company's affairs as reported in this column:

"The Directors of Congoleum Co., Inc., at a special meeting on July 12th formally authorized the issuance of 140,000 shares of Common Stock at $20 a share.

"Under the Certificate of Incorporation, the Common stockholders are entitled to subscribe to the above increase pro rata to their holdings of Common stock.

"It is, therefore, planned to issue subscription warrants on September 10, 1923, to holders of Common stock of record August 31, 1923, permitting subscriptions at the rate of one and four-tenths shares of New Common stock for each share of Common stock held by them.

"I also take pleasure in stating that the Directors declared a cash dividend, on the common stock, of $2 a share, payable October 15, 1923, to holders of record October 6. This dividend applies to all outstanding Common stock on the date mentioned, and, therefore, includes the new shares as well as the old, putting the stock on a two-dollar quarterly basis.

"It will interest you to know that the sales of this Company for the first six months of 1923 were sixty per cent (60%) ahead of the first six months of 1922, and that the earnings applicable to dividends on the Common stock, after preferred dividends, taxes, depreciation and interest for the six months period ending June 30th were well over $2,000,000. The outlook for the last six months is exceptionally good. All our plants are running on full time, and the new extension at our Marcus Hook, Pennsylvania, works should be completed by August 1, 1923. This will add very materially to the earning power of the Company.

"The sale of the new common stock will put $2,800,000 in new money into the business, and place the Company in an exceedingly strong financial position."

NEWCOMERS ON THE N. Y. STOCK EXCHANGE

(Continued from page 625)

edly, reflects the uncertainties in regard to the labor situation. **In view of the past record of the company, its valuable coal land holdings and comfortable financial condition, however, the stock at these levels appears to offer rather attractive speculative possibilities.**

NEW YORK CANNERS New York Canners, Inc., was incorporated in 1919 and acquired the business and properties of several companies engaged in canning fruits and vegetables in New York State. The principal companies taken over, namely—Winters & Prophet Canning Co., Fort Stanwix Canning Co., Burt Olney Canning Company and Cobb Preserving Co., have been established for a long period of years and their products distributed under their own brands throughout the United States. In February 1923, the company purchased control of the T. A. Snider Preserve Co. which has been, since 1885, engaged in the business of manufacturing and selling ketchup, chili sauce, etc. This acquisition has given the company a distribution of special food products and condiments which supplement its previous lines.

Consolidated earnings of New York Canners, T. A. Snider Preserve Co. and the Middle States Creamery Co. for the year 1922, was equal to $6.50 per share on 100,000 shares of common stock now outstanding. For the five years ended December 31, 1922, average earnings were equal to $2.28 a share on the present outstanding common. It has been stated by the management that advance sales of New York Canners so far this year were approximately double those for the same period of 1922 and advance sales of T. A. Snider Preserve Co. have been about 30% greater. The outlook, therefore, is that earnings for 1923 will make a better showing than in 1922.

At present levels of 29, the stock must be classed as a decided speculation, for the average earning power for the past five years has not been very impressive. With the properties under one management, however, it is possible that greater efficiency and salesmanship will be shown and a higher value may ultimately be justified for the stock. Until this has been more fully demonstrated, however, a commitment in the stock is not advisable.

COLUMBIAN CARBON Columbian Carbon Co. was organized in 1921 and took over the business of a company of the same name formed in 1907 which itself succeeded to the business of twelve long established companies. This company with subsidiaries is the world's largest producer of carbon black and is an important producer of other blacks. In addition, it has substantial production of gasoline from natural gas. Carbon black, the company's principal product, is used in the manu-

facture of rubber tires, printing ink, paint and a wide range of other articles. The company has twelve carbon black plants comprising over 1,000 buildings, five plants for the manufacture of lamp black and other black, six gasoline plants and large storage facilities.

Earnings for the five years ended December 31, 1922, averaged $2.54 per share on the present outstanding capital stock. Earnings in 1922 were equal to $4.66 per share. In view of these past earnings, the present dividend rate of $4 appears unusually liberal, but under present conditions, the management is probably justified in paying this rate, for earnings so far this year have been on a highly favorable basis. For the first three months of 1923, the company earned $2.54 per share on the stock.

The extensive use of carbon black in the manufacture of automobile tires and other rubber goods has come about only in the past two years. It is estimated that the addition of carbon black has increased the strength and elasticity of rubber about 25% and 10% respectively. Carbon black is also used exclusively in the manufacture of ink, suitable for modern fast running printing presses, and there is a continuous and important demand from this source. This stabilized demand has enabled the company in the past to show substantial profits even in periods of depression.

At the present levels of 47, the stock does not appear particularly attractive on its past record of earnings. If earnings can be maintained at the rate shown so far this year, the stock may have prospects of advancing ultimately, but it is advisable to see whether the current rate of earnings can be sustained for any length of time.

ROSSIA INSURANCE COMPANY Rossia Insurance Company of America succeeded in 1919 to the business of the United States Branch of Insurance Company Rossia of Petrograd which was established in 1904. It is the largest domestic insurance company in the United States writing exclusively fire and marine reinsurance. The company has re-insurance contracts with the leading direct writing insurance companies which gives it the

Municipal Bonds

HIGHER GRADE MUNICIPALS

		Rate Interest	Maturity	Approximate Yield
	Indianapolis Bd. of Education	4	July 1926	4.70
N	Akron, Ohio	4¾	Oct. 1933	4.50
	Clinton County, Iowa	5	May 1930-32/28	4.65
N	State of Texas	5	Feb. 1925	4.60
	Dubuque, Iowa, Water	4½	Apr. 1941-42	4.40
	Portsmouth, Va.	4½	July 1938	4.70
N	San Francisco, Cal	4½	July 1933-62	4.50
N	Des Moines, Iowa	4½	June 1934-40	4.35
N	San Antonio, Texas	5	Sept. 1934-35	4.60
N	Detroit, Mich.	4½	1928-34	4.45
N	Detroit, Mich.	4¼	June 1932-40	4.40
N	Atlantic County, N. J	5	July 1925-43	4.50
	Oklahoma City, Okla	5	March 1934	4.80
N	Indianapolis, Ind.	5¼	Jan. 1929	4.50
	Omaha, Neb.	4½	May 1943	4.35
	St. Petersburg, Fla	5¼	Dec. 1952	5.00
	Omaha, Neb., Sewer	5	May 1938	4.55
	Newport News, Va., School	5	1958	4.60
N	San Francisco	4½	July 1943	4.40
N	Jersey City, N. J	5	Dec. 1925	4.50
N	Chicago, Ill.	4	Jan. 1924	4.35
N	Detroit, Mich. Reg	4	Aug. 1924	4.40
	Perth Amboy, N. J	5½	1940-50	4.50
N	Oregon	4	1935-39	4.30
N	South Dakota	4¾	Nov. 15, 1942	4.60
	Charleston, S. C	4	Sept. 1963/43	4.50
N	Oregon	4	A & O 1928-29	4.50
	Charlotte County, Va	6	July 1940	5.10
N	Syracuse, N. Y	5¼	Sept. 1930-40	4.15
N	Tennessee	4½	July 1936	4.30
N	Tennessee	4¼	July 1927-35	99½
N	Scranton, Penn. Reg	4½	Sept. 2, 1925	4.40
	Chicago Jt. Stock Bank	4¾	May 1963/33	101
N	Jersey City Reg	4½	Oct. 1961	4.30
N	Oregon	4½	April .929	4.50
	Freehold, N. J	4¾	April 1924-43	4.50
	Perth Amboy, N. J	4¾	July 1925-63	4.50
	Durham, N. C	5½	Jan. 1929	4.85
N	California	4½	July 1933-41	4.35
	Newport, Ky.	5	May 1943	4.60
N	Bridgeport, Conn., Tax Exempt	5½	June 1940-44	4.20
N	Minneapolis, Minn.	4½	1936-42	4.30
	St. Louis County, Minn	5	May 1931	4.60
	Shreveport, La.	5	Feb. 1952	4.70
N	North Dakota	6	Jan. 1942	4.62
	Canton, Ohio	6	Sept. 1930	4.60
N	Los Angeles, Calif.	5	1954-58	4.60
N	Illinois	4	May 1937	4.20
N	Jersey City Reg	4¼	Dec. 1927	4.50
N	Oakland, Calif.	4½	1932-47	4.35
N	New York City Reg	3½	Nov. 1929	4.25
N	New York City Reg	3½	Nov. 1940	4.25
N	New York City Reg	4	Nov. 1955	4.21
N	New York City	4¼	April 15, 1972	4.22

N—Legal for Savings Banks in New York State.

widest geographic distribution of risk.

For the five years ended December 31, 1921, investment income and income from underwritings have averaged a total of $593,448, equal to $12.35 per share on the 48,000 shares of stock now outstanding.

The capital surplus and reserve funds are invested principally in the highest grade bonds. The market value of the company's investments plus estimated value in the premium reserve accruing to stockholders indicate a total liquidating value of well over $100 a share for the stock.

This is a very inactive issue and at present levels of 90 appears high enough for a 6% stock. The company, however, is engaged in a business that should continue to show a steady earning power, especially as the risk on conflagrations is not great in view of the way in which the company's risks are distributed throughout the country. As a long-pull specvestment it will probably work out satisfactory.

THE MAIL ORDER HOUSES IN 1923

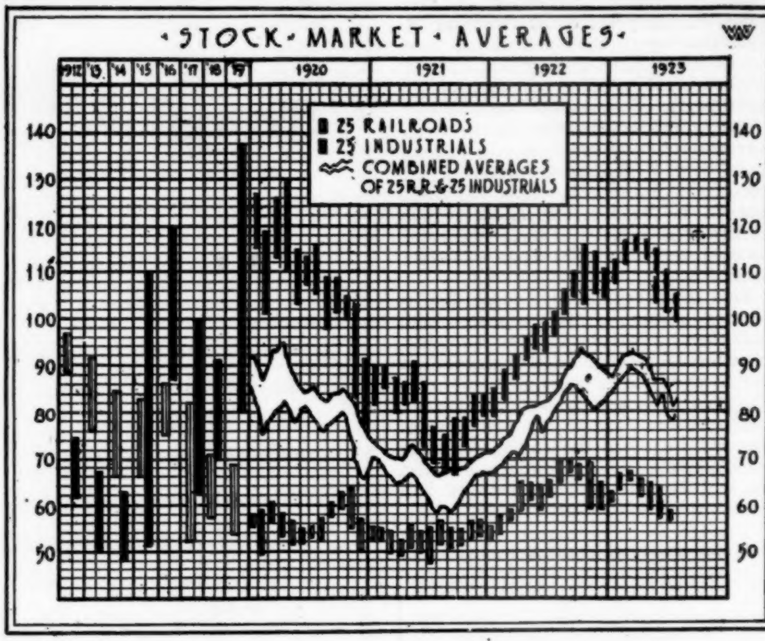
(Continued from page 622)

year should be over 2 millions, which would mean about $13 a share on the common. This would seem to augur well for the dividend prospects of the common, especially as the financial strength of the company has been such that it found it possible to maintain dividend payments on the preferred without a break through all the period of depression.

The financial policy of the management appears to be conservative in the extreme, however, as indicated by the recent retirement of the preferred to the extent of 7% of the originally outstanding amount instead of 3%, as provided for in the articles of incorporation. The longer dividends are delayed, however, the better the financial position of the company and the larger equities will be built up behind the junior shares.

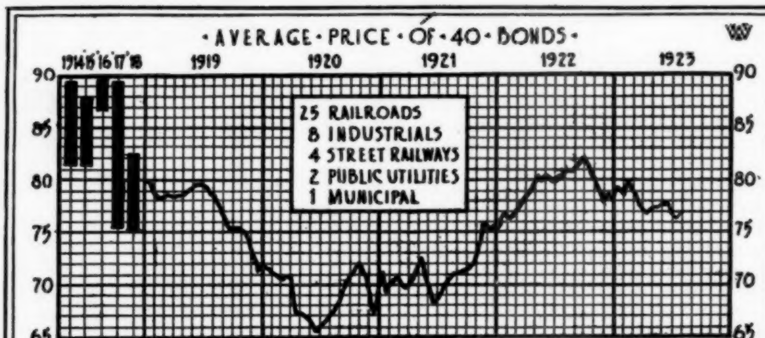
At current prices, around 51, the common does not seem to have fully discounted what can be legitimately expected of the company. This price would represent a dividend of about $4, on an 8% basis, whereas the company was on a 5% dividend level from 1907 to 1920, and, should present earnings or anything like them, continue to the end of the year, would have no difficulty in restoring disbursements on the common at this or a higher rate.

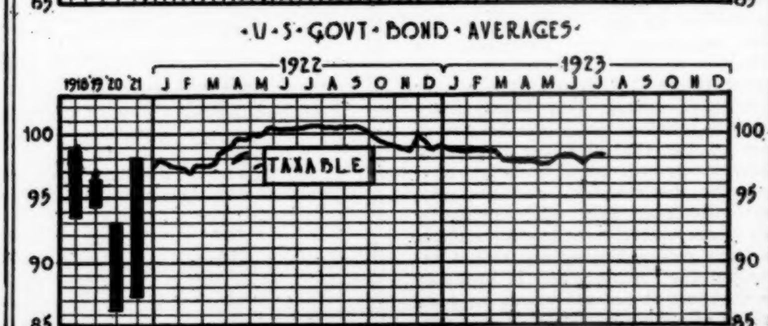
Summing up our comparison of the three securities here discussed, we should say that Sears-Roebuck, the largest, is the highest priced relatively to intrinsic values; that Montgomery Ward is moving along the fastest of them all, but that dividend arrears on senior stock will tend to delay dividends on the common, and that National Cloak & Suit, while evidently very conservatively managed, has lost the least ground during depression, rebounded the furthest, and is probably the cheapest at current prices on comparison of estimated earnings with current price.



MARKET STATISTICS

	N.Y.Times	Dow, Jones Avgs.		N.Y.Times 50 Stocks		
	40 Bonds	20 Indus.	20 Rails	High	Low	Sales
Friday, July 13.......	76.24	89.07	79.08	80.16	79.30	375,466
Saturday, July 14.....	76.31	89.40	79.20	80.38	80.05	146,700
Monday, July 16......	76.31	89.22	79.16	80.28	79.64	282,090
Tuesday, July 17......	76.45	89.50	79.33	80.54	79.75	343,254
Wednesday, July 18...	76.48	90.01	79.25	80.93	80.46	401,430
Thursday, July 19.....	76.67	91.35	80.05	81.86	80.81	672,900
Friday, July 20.......	76.85	91.72	80.51	82.38	81.61	745,380
Saturday, July 21.....	76.91	91.39	80.75	82.31	81.79	292,180
Monday, July 23......	77.05	91.58	79.98	82.56	81.72	479,310
Tuesday, July 24......	76.83	90.16	79.45	81.77	80.73	478,650
Wednesday, July 25...	76.84	90.87	79.64	81.13	80.37	429,620
Thursday, July 26.....	76.86	91.06	80.00	81.50	80.79	359,100





OUTLOOK FOR NEW COPPER CONSOLIDATION

(Continued from page 639)

Co. This mine is working at close to capacity, or about 90 million pounds of copper per year, and has reserves of over 63 million tons averaging 1.58%. These mines are also of the porphyry type to which Utah belongs.

It has been a good earner in the past, though under the unfavorable influences of the past two years it has been operating at a deficit. Its average dividend payments from 1913 to 1919 were $2.25 annually.

The Braden Mines

Kennecott owns 99% of the Braden Copper Mines Co., which is a holding company for a group of mines in the Province of O'Higgins, Chile, controlling a potential production of over 180 million pounds a year and ore reserves estimated at 265 million tons, averaging about 2.26% copper. Over 30 millions has already been spent in developing the property, which owns its own railway connecting with the Chilean State Railways, a 6,000-ton concentrator, and its own smelter.

The property is considered a very low-cost producer, and at the present time is believed to be earning about 1 million dollars a month. It has already paid back from 2 to 2½ millions of the 15 millions which it owed Kennecott at the end of last year for funds advanced for expansion and development work. It is now well past the period of deficits which it has shown for the past three years, and is one of the strongest parts of the Kennecott group.

Kennecott's Capital Structure

The capitalization on which the entire structure above described rests is a capitalization of 3,871,000 shares of no par value, including the increases made necessary by the exchange of Utah shares, and 15 millions of 7% bonds due in 1930. The authorized capital stock amounts to 5 million shares, and it is expected that part of this will be issued from time to time for corporate purposes.

For the time being, however, the financial position of the holding company is extremely good and further stock sales are not believed to be contemplated for the near future. At the end of last year, current assets amounted to 32.2 millions, of which fully 7.6 millions was in cash and an additional 2.7 millions in marketable investments apart from the permanent holdings of stock in the companies mentioned above. The large item of loans to subsidiaries, amounting to 17.5 millions, represents an asset which can be collected more or less slowly, depending on the state of the copper market and the prosperity of the subsidiaries.

As against these assets, the company had only 1.2 millions of current liabilities, mostly in the form of charges accrued but not yet due.

Earnings at the present time are

holding up well, for the first quarter of the current year running at the rate of $6.25 annually, including proportionate parts of the earnings of the subsidiaries. Assuming that the dividends of the latter are maintained at the present rate for the remainder of the year, Kennecott should collect from this source alone in the present year about 1 million from Mother Lode Coalition and about 4.9 millions from Utah. Judging by the first quarter's figures, earnings from the Alaskan properties and railroad and steamship property owned by the company proper should amount to well over 5 millions, while Braden has already paid in about 2½ millions in repayment of the loan before dividends.

The company is paying dividends at the rate of $3 per share, which on the present capitalization will mean about 11.6 millions, preceded by 1.1 millions of bond interest.

As long as the subsidiaries are able to maintain their present rate of payment to the mother company, therefore, the financial structure of the latter is such as to allow it to continue the present rate of dividends on its own stock without any difficulty. This is without allowance for the possible return of dividends on the controlled Nevada Consolidated stock or on the 99% of Braden stock.

At prevailing prices around 34 the yield is somewhat under 9%. Anything that would favor Utah would favor Kennecott, while the latter has in addition large resources which have not as yet shown their full importance and enjoys the advantages of geographical and metallurgical diversification described above. At present prices, therefore, we should prefer it to Utah as a purchase for intending copper investors.

AMERICAN COTTON OIL COMPANY

(*Continued from page* 619)

in cash and 3.6 millions in receivables and advances on merchandise, the rest consisting of well-deflated inventories.

Judging by these data, the outlook for the common stock seems well-nigh hopeless. Its slim equity of $4.21 a share at the end of 1922 would be completely wiped out by a loss of $840,000 in the current fiscal year, an event which seems far from unlikely. The coming maturity of the notes, on Sept. 2, 1924, will precipitate the urgency of the reorganization which has been declared necessary for the welfare of the company for some time past. The business conditions outlined above which have been responsible for the downfall of the company's earning power, have not improved sufficiently to warrant much hope for a continuation of the company in its present form.

The new management which has been in power for about a year has decided to concentrate on the trade-marked soap and washing-powder and other lines which have proven extremely profitable. This probably means a sharp restriction in the unprofitable crushing, cotton-oil refining, and possibly the edible oils and fats business.

In such a thorough reorganization it is quite possible that the common stock, owing to its slim equity in the business, will either be wiped out entirely or else compelled to pay a relatively heavy assessment to maintain its rights. It therefore offers little attraction at current prices around 4½. The preferred stock, quoted at 14-15, may prove eventually to be worth its present price following a drastic reorganization, but the risks which the investor must assume are great enough to warrant caution in such a commitment.

LESS ACTIVE PERIOD OF PRODUCTION

(*Continued from page* 612)

Cost of Financing

Conditions like those just outlined, in the money and credit field, naturally tend to produce a higher level of cost in corporate financing. In fact, however, the financing situation is less affected by such considerations (since, after all, costs are not excessive) than it is by the attitude of the public toward new flotations. The political uncertainty, and its reflection in business's doubt regarding prospects has, however, naturally impaired the prospects for ready placing of new securities, and as a result there has been a decline in the volume of new issues during recent weeks. Relief in this situation would come from developments tending to produce greater assurance and certainty on the part of the investor, and a prospect of lessened political attack and interference. The accompanying diagram shows continued tendency to higher costs of financing, as in recent months, since the opening of the year. There is no apparent reason to expect any early change in this regard, and some ground for thinking that, in the event of unfavorable foreign trade, lessened imports (or loss) of gold, and higher commercial rates—all of which are clearly within the limits of early possibility—there may be a considerable advance in financing costs.

General Outlook

The business and credit outlook is thus, on the whole, somewhat confused or mixed. Production is in many lines substantially large, and may be relatively excessive in some few branches, chiefly agricultural; though not sufficiently so to create a basis for unsoundness. Employment is broad and satisfactory. Forward orders have declined, despite good current buying, due to indisposition to make long forward commitments. Prices are not far from stable, with agricultural products tending to pull averages somewhat downward. European demand is slack and likely to be lighter, according to current forecasts. Despite a temporary recovery of exports to an equality with imports in June, our foreign shipments tend to be below normal while imports are above that level. Interest rates are little altered,

but show a tendency toward higher figures, while corporate financing is inactive with a drift toward heavier cost. The entire outlook would be rendered safer and more stable by some positive information as to prospects in a political way, so far as they bear upon pending business issues.

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate		Am't Declared		Stock Record	Payable
$8	Amal Sug 1st pfd .	$2.00	Q	8- 1	8-15
$5	Amer Can com....	$1.25	Q	7-31	8-15
$8	Amer Glue pfd.....	$2.00	Q	7-16	8- 1
$4	Amer Radiator com	$1.00	Q	9-15	9-29
7%	Amer Radiator pfd.	1¾%	Q	8- 1	8-15
$7	Amer Sm & Ref pfd	$1.75	Q	8-10	9- 1
$3	Amoskeag Mfg com	75c	Q	....	....
$4.50	Amoskeag Mfg pfd.	$2.25	SA	....	....
$3	Anaconda Copper..	75c	Q	6-16	7-23
$6	Atchison common..	$1.50	Q	7-27	9- 1
$5	Atchison pfd.......	$2.50	SA	6-29	8- 1
6%	Atlas Powder pfd..	1½%	Q	7-20	8- 1
7%	Austin Nichols pfd.	1¾%	Q	7-16	8- 1
4%	Balt & Ohio pfd..	2%	SA	7-14	9- 1
7%	Beth Steel 7% pfd.	1¾%	Q	9-15	10- 1
8%	Beth Steel 8% pfd..	2%	Q	9-15	10- 1
$8	Borden Co com....	$4.00	SA	8- 1	8-15
7%	Brill J G pfd......	1¾%	Q	7-24	8- 1
$7	Brown Shoe pfd....	$1.75	Q	7-20	8- 1
7%	Brunswk B&C com.	1¾%	Q	8- 4	8-15
—	Burns Bros c Cl A	50c	Ext	8- 1	8-15
$8	Burns Bros c Cl A	$2.00	Q	8- 1	8-15
$2	Burns Bros c Cl B	50c	Q	8- 1	8-15
$7	Burns Bros prior pf	$1.75	Q	7-23	8- 1
$6	Calif Packing......	$1.50	Q	8-31	9-15
$5	Checker Cab Mfg A	$1.25	Q	10-15	11- 1
$4	Cerro de Pasco....	$1.00	Q	7-19	8- 1
$5	Cluett-Peabody com	$1.25	Q	7-21	8- 1
$4	Col Carbon v t ctfs.	$1.00	Q	7-20	8- 1
$2.60	Col Gas & El new..	65c	Q	7-31	8-15
6%	Commonwealth P pf	1½%	Q	7-16	8- 1
$7	Conn Mills 1st pfd.	$1.75	Q	7-16	8- 1
$6	Consolidation Coal.	$1.50	Q	7-14	7-31
$4	Continental Can com	$1.00	Q	8- 4	8-15
7%	Cuba Co pfd......	3½%	SA	7-20	8- 1
6%	Cuba Railroad pfd..	3%	Q	7-23	8- 1
7%	Dallas Pr & Lt pfd	1¾%	Q	7-20	8- 1
12%	Dela Lack & West.	3%	Q	7- 7	7-20
$6	Detroit Un Rys com	$1.50	Q	8- 1	9- 1
$8	Diamond Match...	$2.00	Q	8-31	9-15
$12	Eureka Pipe Line..	$3.00	Q	7-16	8- 1
$2	Exchange Buffet...	50c	Q	7-21	7-31
5%	Federal Sugar Ref.	1¼%	Q	7-20	8- 1
6%	Fed Sugar Ref pfd.	1½%	Q	7-20	8- 1
10%	Fisher Body com...	2½%	Q	7-20	8- 1
$2	Fleischmann Co....	50c	Q	9-15	10- 1
—	Fleischmann Co....	50c	Ext	9-15	10- 1
$6	General Cigar com.	$1.50	Q	7-23	8- 1
$7	General Cigar pfd.	$1.75	Q	8-24	9- 1
$7	Gen Cigar deb pfd.	$1.75	Q	9-24	10- 1
$8	Gray & Davis pfd..	$2.00	Q	7-25	8- 1
$5	Gt Northern Ry pfd	$2.50	SA	6-29	8- 1
12%	Hamilton Brown Sh	1%	mo	7-24	8- 1
6%	Harbison W Ref pfd	1½%	Q	7-10	7-20
$7	Hood Rubber pfd..	$1.75	Q	7-20	8- 1
$6	Homestake Mining.	50c	mo	7-20	7-25
$3	Honolulu Plantation	25c	mo	8- 1	8-10
5%	Hudson & M RR pf	2½%	Q	8- 1	8-15
10%	Hupp M Car com..	2½%	Q	7-14	8- 1
$7	Illinois Central com	$1.75	Q	8- 2	9- 1
$6	Illinois Central pfd	$3.00	SA	8- 2	9- 1
$2	Inter Comb Eng...	50c	Q	7-23	7-31
$1	Intertype Corp com	25c	Q	7-31	8-15
$8	Iron Products pfd.	$2.00	Q	8- 1	8-15
$1	Kauffman D Sts com	$1.00	Q	7-20	8- 1
7%	Kelsey Wheel pfd..	1¾%	Q	7-20	8- 1
8%	Kell'g Switchbd & S	2%	Q	7-23	7-31
8%	Kinney G R pfd...	2%	Q	8-20	9- 1
—	Kinney GR p (spec)	2%	Q	7-20	8- 1
$4	Lima Loco com....	$1.00	Q	8-15	9- 1
—	Lord & T 2nd pfd.	18%	Accum	7-14	8- 1
$7	McCrory Sts new pf	$1.75	Q	7-20	8- 1
$3	Martin Parry......	75c	Q	8-15	9- 1
10%	May Dept Sts com.	2½%	Q	8-15	9- 1
$2	Miami Copper......	50c	Q	8- 1	8-15
$3	Moon Motor com...	75c	Q	7-16	8- 1
—	Moon Motor com..	25c	Ext	7-16	8- 1
$8	Mullins Body pfd..	$2.00	Q	7-16	8- 1
$3	Natl Biscuit com...	75c	Q	9-29	10-15
$7	Natl Biscuit pfd....	$1.75	Q	8-17	8-31
7%	Natl Dept Sts 1st pf	1¾%	Q	8- 1	8-15
7%	Natl Dept Sts 2d pf	1¾%	Q	8-16	9- 1
8%	New Jersey Zinc...	2%	Q	7-31	8-10
$4	New York A B com	$1.00	Q	7- 9	8- 1
$4	New York A B pfd	$1.00	Q	9- 7	10- 1
7%	N Y Canners 1st pfd	1¾%	Q	7-20	8- 1
$7	Norfolk & W com..	$1.75	Q	8-31	9- 9
$4	Norfolk & W Adj pf	$1.00	Q	7-31	8-18
6%	Penn Railroad.....	1½%	Q	8- 1	8-31
$4	Peerless T & M com	$1.00	Q	9-20	9-30
$6	Pitts & West Va pfd	$1.50	Q	8- 1	8-31
$8	Schulte Retail Sts c	$2.00	Q	8-15	9- 1
$2	Sinclair Cons Oil c.	50c	Q	8- 1	8-31
$1.80	Swift International.	90c	SA	7-16	8-15
8%	United Cigar Sts c	2%	Q	7-16	8- 1
$8	United States Rlty c	$2.00	Q	9- 5	9-15
$8	Woolworth F W c.	$2.00	Q	8-10	9- 1

BANK STOCK REFERENCE TABLE

NATIONAL BANKS

Name	Dividend Rate $	Par Value	Book Value Dec. 30, 1921	Book Value Dec. 29, 1922	Recent Market $ Per Share Bid	Recent Market $ Per Share Asked
American Exch.	15 Q J	$100	x$255	x$258	287	294
Battery Park	6 J & J	100	197	177	180	188
Bronx	10 J & J	100	221	214	150	160
Butch's & Drvs.	8 Q J	100	145	141	132	139
Chase	A 20 Q J	100	x205	x210	340	344
Chatham Phoenix	16 Q J	100	217	‡189	255	260
Chemical	24 Bi-mo J	100	450	461	528	535
City	B 20 Q J	100	x253	x228	345	348
Coal & Iron	12 Q J	100	187	191	215	225
Commerce	C 12 Q J	100	235	250	286	292
East River	12 J & J	100	175	180	204	214
Fifth	9 Q J	100	171	‡194	225	235
First	D 40 Q J	100	x513	x616	1205	1215
First Nat., B'klyn	E 12 Q J	100	279	296	320	355
Garfield	F 12 Q M	100	253	265	260	270
Gotham	12 Q J	100	208	202	183	188
Hanover	24 Q J	100	810	‡517	670	680
Harriman	G 10 J & J	100	278	260	330	340
Mechanics & Met.	J 20 Q J	100	265	272	389	394
Nassau Nat.	K 12 Q J	100	252	261	225	...
Nat. American	....	100	152	152	140	150
Park	24 Q J	100	329	339	418	422
People's Nat.	8 J & J	100	266	287	165	...
Public	16 Q J	100	221	‡242	292	297
Seaboard	L 12 Q J	100	266	‡277	365	375

(A) Includes $4 paid by Chase Securities Corporation. (B) Includes 2% and 2% extra paid by National City Co. quarterly. (C) 4% extra Jan., 1923. (D) 10% extra paid by First Securities Corp., Jnuary, 1923. (E) 2% extra January, 1923. (F) 3% extra January, 1923. (G) 5% extra July, 1922, and 5% extra January, 1923. (H) 6% extra January, 1923. (J) 2% extra July, 1922, and 2% extra January, 1923. (K) 3% extra January, 1923. (L) 2% extra January, 1923. (‡) Capital increased during year.

TRUST COMPANIES

Name	Rate $ Dividend	Par Value	Book Value Nov. 15, 1921	Book Value Nov. 15, 1922	Recent Market $ Per Share Bid	Recent Market $ Per Share Asked
American	6 Q J	$100	$142	‡$155	S	...
Bankers	20 Q J	100	202	225	354	357
Bank of N. Y. & Tr. Co.	20 Q J	100	...	396	465	475
Brooklyn	24 Q J	100	285	313	470	485
Central Union	24 Q J	100	249	256	462	467
Commercial	6 Q J	100	152	134	110	125
Empire	C 12 Q J	100	206	210	305	315
Equitable	12 Q J	100	237	*231	191	193
Farmers L. & T.	24 Q F	100	353	401	527	534
Fidelity—Int'l	10 Q J	100	213	*224	200	210
Fulton	D 10 J & J	100	240	250	250	260
Guaranty	12 Q J	100	166	171	253	257
Hudson	10 Q J	100	250	*261	205	215
Irving Bk. Col. Tr. Co.	....	100	...	...	216	220
Kings County	40 Q F	100	695	776	850	...
Lawyers T. & T.	E 8 Q J	100	251	*271	175	185
Manufacturers	G 12 Q J	100	200	*210	275	...
Metropolitan	16 Q M 31	100	271	290	292	300
Midwood	....	...	157	160	155	165
New York	20 Q J	100	270	277	340	343
People's	20 Q J	100	244	‡277	390	...
Title Gr. & Tr.	K 12 Q J	100	326	‡301*	360	366
U. S. Mtg. & Tr.	M 16 Q J	100	244	247	305	315
United States	50 Q J	100	889	923	1205	1220

(C) 1% extra July, 1922; 4% December 30, 1922. (D) 2% extra January, 1923. (E) 2% extra July, 1922; 2% January, 1923. (G) 2% ertxa October, 1922. (K) 4% extra June 30, 1922; 3% January, 1923. (M) 4% extra January, 1923. (S) See N. Y. Title & Mortgage Co. (‡) Capital increased during year. (*) Book value figured on old capital.

WHERE FOREIGN EXCHANGE IS HEADED
(*Continued from page 605*)

The question arises, Is this to be taken as an indication of the loss of real confidence in the Fascist order by solid financial interests? It is certain that the budget deficit has not been notably reduced, that the country has suffered from the failure of a great bank connected with the Ansaldo steel interests, and that the foreign trade budget is still far from balancing. Optimists and pessimists alike can find convincing arguments in the present economic situation. **For the meantime, the seasonal trend should turn lire down somewhat further, while the longer-distance outlook remains quite uncertain.**

SCANDINAVIAN COUNTRIES. Underlying conditions are sound, serious inflation is unknown, and the gold basis has been retained in the Scandinavian countries, so that in the long they may be expected to make up the few points of discount at which their currencies are quoted below par. Banking failures have hit Norway and Sweden hard, however, and in the latter country a wide-spread chain of strikes and lockouts is holding back business, while the main problem of the former is reducing Governmental and municipal extravagance and balancing its budget. Denmark is being injured by the fact that England, its best customer at the present time, is prevented from importing its goods, particularly foodstuffs, because the of the British dock workers' strike. **These difficulties are not of a fundamental order, however, and do not alter the generally favorable impression presented by the finances of the Scandinavian countries which should show its effect ultimately in their exchanges rates.**

ASIA

The fundamental factors in the economic situation of Asia are the increasing industrialization of the continent, resulting in an increase of exports and a lessening of imports; the growing modernization of the banking system, tending toward a wider use of bills of exchange instead of precious metals. From the standpoint of American business, their trade with us, both import and export, and consequently their exchange rates, have become of more importance than they ever were before, and may some day displace Europe as the center of our foreign trade interest. At the present time, most remittances to these countries are made by way of sterling exchange, for which the market is world-wide, although dollar exchange is becoming increasingly acceptable.

JAPANESE business went through a period of inflation analogous to our own business spree of 1919-1920, but carried it further, and is still reeling from the shock of the depression which followed. A series of banking failures in the past few years, an uncertain and highly speculative silk market which has recently turned definitely downward, and tax difficulties of the government have been depressing

features. However, most of the huge increase in the Japanese gold reserve caused by the war has been retained, and the bank rate remains at the high rates established in 1919 at the height of the "gold inflation." **The immediate outlook for yen rates is therefore quite favorable.**

CHINA'S great difficulty is the disruption of the country by civil war and the lack of a stable government. The economic organization of China is such, however, that it can function successfully without a strong centralized authority, and on the whole the pessimistic impression prevailing in some quarters as to the future of China seems to rest on a false analogy between Chinese institutions and our own.

INDIAN exchange has been helped by two developments of recent years, the growth of modern industry, particularly in steel and textiles, and the semi-religious hostility to the importation of British products. India's foreign trade has never been more favorable, therefore, while her ability to absorb silver, which is still the favorite medium of payment, has been increased by the fall in the price of the white metal on the world's markets, helped by the expiration of purchases by the United States under the Pittman Act.

SOUTH AMERICA

This continent has also been increasing its foreign trade, particularly in regard to exports, as a result of the steadily growing modernization of agricultural and industrial methods, and the exploitation of its rich mineral and petroleum resources. Apart from the superficial similarity of language, Spanish being universally spoken except in Brazil, where Portuguese is the official language, there is little unity in the economic situation of the various countries of South America. The three most important countries are the "ABC" group —Argentina, Brazil and Chile.

The recent decline in the *ARGENTINE* gold dollar is considered to be largely a result of the hurry of importers to get in large stocks of goods before the imposition of the 25% increase in import duties. Now that this buying is out of the way, stocks of foreign merchandise on hand should be sufficient to avert the necessity of further large purchases for some time, so that rates may be expected to stiffen. **At the same time, Argentina being a heavy exporter of foodstuffs, should be receiving the proceeds of sales of meat and grains for the next few months, reinforcing the upward movement of its exchange.**

BRAZIL has been undergoing a period of financial and fiscal housecleaning under its new administration which should do it considerable good in the long run, but it has embarked on a policy of valorization to raise the selling price of its big export crop, coffee, which seems to be headed for disaster. So far it has had the effect of cutting down the consumption of Brazilian coffee, while the output of the superior Colombian coffee is now fourfold what it was before the war.

CHILE'S exchange rate should be favorably affected by the improvement of the nitrate situation, as production of this fertilizer has been going up and stocks on hand have been going down for the last three years, being now somewhat less than they were in 1914. Increased exploitation of Chile's copper resources is expected from the recent consolidations of American copper companies, **which should tend to bring more American dollars into the country and thus help its exchange rate.**

WHAT STOCKS WOULD YOU BUY TO-DAY?

(*Continued from page* 618)

was paid on account of a Red Cross dividend in 1917.

The company's financial condition, at the close of last year, was splendid. Net working capital exceeded 10.6 millions, against 8.5 millions at the close of the previous year. Bank loans, which had totaled $17,750,000 at the peak in 1917, were wiped out altogether, over 4.4 millions of such loans having been erased in 1922. The corporation was rich in cash (over 4.6 millions) and inventories, which had been as high as 8.7 millions two years before, were down to slightly less than 5 millions.

Trend in recent and current earnings has been upward. In the early months of 1923, or the latest period concerning which official information is available, revenue was above the rate for 1922, and sales were in larger volume. That this trend will lead to exceptionally good results for the stock this year is certain, especially if operating efficiency continues to improve at the rate exampled in 1922 when, on 7.8 millions less gross business, the company obtained a 2.3 millions *larger* operating profit.

The company's business is divided into two departments. The first comprises the manufacture and sale of milk products, including condensed, evaporated dried and malted milk, condensed coffee and milk and condensed cocoa and milk, milk chocolates and caramels; the second comprises the purchase, preparation and distribution of dairy products by a system of wagon deliveries. The candy business, after some years of careful development, has grown to a point where profits from it are enough to more than cover dividends on the common at the $8 rate. The milk retailing, and milk product manufacturing departments manifestly represent an essential field.

Borden stock used to sell above $180 per share. The company is far bigger, stronger and a larger earner today than it was then; only $3,868,100 additional common has been issued since 1902; yet the stock, due to the price readjustment the investment world has gone through of late, can now be had around $118. The company has no funded debt; the only thing ahead of the common is a $7,500,000 issue of 6% preferred, callable at 110, and likely to soon be retired at that price; only 213,681 shares of common are outstanding; and at current prices (118) the issue offers a yield of better than 6¾%.

The writer anticipates no fireworks in Borden common. If he did, he would not recommend it. As said at the outset, fireworks are not what we are looking for just now. What he

does expect is an indefinite continuance of dividends at not less than the present rate, based on continuingly good earnings results, the retirement of the preferred before much longer, and the gradual market appreciation of the common in the event of any strengthening of the general investment trend.

Brooklyn Edison Co.

Common Shares Appeal, Not Least Because of Company's Growth-Possibilities

By E. D. K.

THE writer has come to the conclusion that, if it is not the *best* investment stock on the list, it is at least impossible for him to find another superior to—Brooklyn Edison. He bases his conclusion on the following:

1) The stable nature of the industry in which Brooklyn Edison is represented.
2) The certain outlook for the future growth of Brooklyn, which now has a population of 2,000,000 and which, with the immense spaces still available for building, will within several decades probably reach a figure several times in excess of the current population.
3) The amazingly efficient character of the management.
4) The excellent financial position and carefully planned financial structure.
5) The long dividend record of the company, which has paid dividends for over twenty years without interruption.
6) Its rather consistent growth of earning power.
7) The steady expansion of facilities to take care of the needs of a prosperous and rapidly growing city.

The following is a record in recent years of net earnings in millions of dollars:

1916	2.4
1917	2.0
1918	1.7
1919	2.2
1920	1.6
1921	2.7
1922	4.1

During 1922, the company added 10 million dollars to the amount of its capital stock which accounts for the slight reduction in earnings per share as compared with 1921, when there was a smaller amount of stock outstanding. (For earnings per share see graph.) The company's ability to absorb this added stock is indicated, however, by the fact that dividends of 8% on the $100 par stock were earned nearly twice over on the added capitalization. The fund secured by the sale of this 10 millions of stock, however, has been used for increasing the facilities of the company, and, as indicated by preliminary reports for the early part of the current year, it is likely that total net earnings will break all records in 1923.

Many other companies undoubtedly can show as good a record as Brooklyn Edison, so apparently that is not the reason for the writer's choice of this issue. The

fact is, however, that in contrast with many other securities, Brooklyn Edison faces almost unlimited possibilities by way of growth and earning power. The city it operates in is the fourth largest industrial municipality in the country with large possibilities of business expansion, and, in its suburbs possesses considerable room for development of new residential property. This means, of course, that more electric service will be required. Since the company alone has franchises to serve the city (with the exception of the 29th ward) it is apparent that it is in an excellent position to benefit from this future growth, being virtually in sole possession of distribution of electric power and light to the city.

As an investment, Brooklyn Edison stock may lay claim to a high position among common shares. Its earning power is undisputed and should increase. The stock at current prices of around 106, and paying $8 in dividends per share returns the attractive yield of about 7½%. In later years, as indicated by potential earning power, it should pay higher dividends and sell at a materially higher level. **The writer does not hesitate to recommend it to investors who are desirous of securing an excellent long-term investment with more than fair possibilities of enhancement in value over a period of time.**

Mack Trucks, Inc.

Common Shares' Greatest Attraction Is Company's Large Earning Power

By D. E. S.

I THINK this company a *sound* one because:—

It is the leader in a rapidly-growing branch of the transportation industry,

Its record shows increasing sales and increasing margins of profit per sale,

It got by 1921 without a deficit, being one of the few in its industry to do so, and, barring that year, has shown increasing earnings for the past seven years,

It has an extraordinarily good working capital position.

I consider its common stock a *cheap* stock at present prices, because:—

At 72 it has recovered only 5 points from the low of the year and is 22 points below the high of the year,

It yields some 5½% at current dividend rate of $4, but an increase in the rate to $6 in the near future and to more than that over a period of years seems quite likely, judging by the proven earning power of the company. At the $6 rate the yield would be over 8%, which is pretty high for a high-grade concern with good possibilities of improvement.

The capitalization consists of 283,109 shares of common, 11 millions of 7% first preferred and 5.3 millions of a similar second preferred, both cumulative. As a result of this form of capitalization, the company is apt to show higher earnings on the common in good times, and lower ones in bad times, than would be the case if its stock were all common. Nevertheless, in the slump year of 1921 the company pulled out $127,000 before preferred dividends, indicating that even in the worst of times, it could do a certain minimum business which would suffice to keep its head above water.

The working capital position of the company is interesting. It has over 21 millions in net quick assets, of which 3½ millions are in cash. The rest is in inventories and accounts receivable. Its current liabilities are small, being only about 3 millions at the end of 1922, of which nearly all is in tax reserves and accounts payable and accrued, which are necessary to the normal running of the business.

The really attractive feature of Mack Truck's common, however, is the great earning power which the company has developed in recent years, or since the reorganization of the old International Motor Co. and the subsequent absorption of the Wright-Martin Aircraft Corp. For the first six months of this year earnings are estimated at around $12 a share on the common after payment of preferred dividends, and a final showing around $20 a share for 1923 is to be expected.

Under the circumstances, an increase in the dividend rate would seem to be in order, and has in fact been frequently discussed for over a year. It is true that this showing is being made in the greatest year the automotive industry has ever known, but it is the opinion of experts that in the event of a falling-off of business the motor truck industry would suffer less than the manufacture of passenger cars, because of the growing appreciation of the truck's utility as a supplement and extension of existing means of transportation.

The steady improvement in the investment status of Mack securities is illustrated by the action of the first preferred stock. In 1922, it sold as low at 68, yielding over 10%. This year, at the lowest price of 87 recorded in the early part of July, it yielded 8%, and at the highest of 99 about 7%. In the past year the stock has moved from the speculative to the middle grade of preferred stocks.

Purchasers of the common, in my opinion, should figure on holding the stock for several years to get the fullest benefit from their commitment.

Consolidated Gas

Common an Outstanding Bargain in This Writer's Opinion

CONSOLIDATED GAS common, selling around $60 a share, presents an unusually attractive opportunity both for investment and speculation for the long pull. The stock pays 5% per annum and gives stockholders a return of over 8.2% on the investment at the current price.

The company supplies gas to the boroughs of Manhattan and Queens, and through its subsidiary the New York Edison Company, electric light in Manhattan and the Bronx.

Exclusive of the period from 1918 to 1921, inclusive, the company has enjoyed uninterrupted prosperity. Earnings were always sufficient to cover dividends on the

old capital stock. Dividends, ranging from 4% to 8%, have been paid regularly in every year since 1900.

In the 1918-1921 period earnings fell short of the regular 7% dividend requirements in each year, due to abnormally high operating expenses and fixed rates. A similar situation can hardly arise again as the Supreme Court has decided that the company is entitled to a fair return on its invested capital at all times. This fair return was deemed to be 8%. In other words, the company is entitled to charge rates that will always be commensurate with operating costs. This very plain finding by the highest tribunal, however, has not freed the company from political attacks. Despite this decision the New York Legislature in its last session passed a bill ordering a reduction of gas rates to $1 per thousand cubic feet. This can hardly be considered other than a political motion to secure public goodwill, but as a pure and simple motion it can hardly be expected to do otherwise than die a natural death. The company has already had an injunction granted against the carrying out of the lower rate and it is a practical certainty that when the question again comes up before the Supreme Court the principles affirmed in its previous decision will be upheld. There is no question but that a $1 gas rate could not yield sufficient to give "a fair return" on the invested capital.

As a result of the changes made in the capital structure at the close of last year, the company's entire funded debt has been wiped out and a new issue of 6% cumulative participating preferred created, which has a first claim on earnings and assets. Through these changes obligations ahead of the common stock have been reduced by approximately 2.1 millions. There are now 3 million shares, no par value, of common outstanding.

Last year for the first time in its history the company reported the consolidated earnings of all properties, whereas, theretofore, only the income actually received by the present company in the form of dividends was reported. On the basis of combined total earnings and changes, last year's earnings amounted to $7.31 a share on the present outstanding common and represented a return of 6.2% on invested capital, compared with the 8% return allowed by the Court.

There should be comparatively minor changes in the income account this year. Operating costs per thousand cubic feet of gas sold are practically the same as last year and will continue so for the balance of this year as the company has contracted for the entire year's requirements of gas oil and coal at prices approximately the same as those paid in 1922. There have been no changes in wages. During the last quarter of last year production of gas was changed from the illuminating standard to the 550 British Thermal or Heat Unit standard, resulting in an estimated saving of 4 cents per thousand cubic feet. Allowing for an increase of 5% in gas sales and 15% in electric sales (based on average increase for past ten years and tremendous increase in activity of business over last year) and the changes in production standard, net earnings, after taxes, this year should amount to $37.9 million. After other income and deduction of fixed charges and preferred dividend requirements the balance available for the common would amount to $32 million, or the equivalent of $10.70 a share. This would amount to a return of 6.6% on the invested capital of all properties.

In sworn affidavits it was shown that on the basis of a dollar gas rate the company would have operated at a loss last year. As the present rate of $1.13 per thousand cubic feet, together with all other income, would yield but 6% in excess of the minimum return allowed by the Supreme Court, the possibilities of the reduced rate being upheld are almost negligible. With indications of earnings in excess of twice present dividend requirements this year and the outlook for the coming year even brighter because of the downward trend of commodity prices, it is difficult to select a stock that offers better possibilities for appreciation in value or a higher return in comparison with the soundness of the issue, than Consolidated Gas common.

CAN RIGHTS OF MINORITY STOCKHOLDERS BE PROTECTED?

(*Continued from page* 602)

Recently, on the argument of the preliminary injunction restraining the Steel & Tube Co. from distributing its assets, it was contended that as the sale and price had been approved, the court could not prevent the Steel & Tube Co. from retiring its preferred stock and reducing the common to a nominal 967 shares. An appeal is pending in the Supreme Court of Delaware to have the entire transaction set aside and the sale cancelled.

Dissatisfied stockholders have attempted to restrain the Porto-Rican Tobacco Co. from consummating a recapitalization plan, involving issuance of non-par stock. It has been alleged that the plan was designed to permit the Tobacco Products Corporation to acquire a large stock interest. An adverse decision has been appealed by the minority shareholders.

The test of a government is in its protection of minorities from oppression, without depriving the community of orderly rule; hence, checks and balances. The nicely adjusted balances in Corporation Law are an effort to reconcile economic expediency with fundamental justice.

SCHOOL FOR TRADERS AND INVESTORS

(*Continued from page* 648)

"average down." This opinion is contrary to the one commonly held and acted upon; it being the practice to buy and on a decline to buy more. This reduces the average. Probably four times out of five this method will result in striking a reaction in the market that will prevent loss, but the fifth time, meeting with a permanently declining market, the operator loses his head and closes out, making a heavy loss—a loss so great as to bring complete demoralization, often ruin.

But buying at first moderately, and, as the market advances, adding slowly and cautiously to the "line"—this is a way of speculating that requires great care and watchfulness, for the market will often (probably four times out of five) react to the point of "average." *Here lies the danger. Failure to close out at the point of average destroys the safety of the whole operation.* Occasionally a permanently advancing market is met with and a big profit secured. In such an operation the original risk is small, the danger at no time great and when successful the profit is large. This method should only be employed when an important advance or decline is expected, and with a moderate capital can be undertaken with comparative safety.

2. To "buy down" requires a long purse and a strong nerve, and ruin often overtakes those who have both nerve and money. The stronger the nerve the more probability of staying too long. There is, however, a class of successful operators who "buy down" and hold on. They deal in relatively small amounts. Entering the market prudently with the determination of holding on for a long period, they are not disturbed by its fluctuations. They are men of good judgment, who buy in times of depression to hold for a general revival of business—an investing rather than a speculating class.

3. In all ordinary circumstances our advice would be to buy at once an amount that is within the proper limits of capital, etc., "selling out" at a loss or profit according to judgment. *The rule is to stop losses and let profits run.* If small profits are taken, then small losses must be taken. Not to have the courage to accept a loss, and to be too eager to take a profit, is fatal. It is the ruin of many.

4. Public opinion is not to be ignored. A strong speculative current is for the time being overwhelming, and should be closely watched. The rule is, to act cautiously with public opinion: against it, boldly. To go with the market, even when the basis is a good one, is dangerous. It may at any time turn and rend you. Every speculator knows the danger of too much "company." It is equally necessary to exercise caution in going against the market. This caution should be continued to the point of wavering—of loss of confidence—when the market should be boldly encountered to the full extent of strength, nerve and capital. The market has a pulse, on which the hand of the operator should be placed as that of the physician on the wrist of the patient. This pulsebeat must be the guide when and how to act.

5. *Quiet, weak markets are good markets to sell.* They ordinarily develop into declining markets. *But when a market has gone through the stages of quiet and weak to active and declining, then on to semi-panic* or panic, it should be bought freely. When vice versa, a quiet and firm market develops into activity and strength, then into excitement, it should be sold with great confidence.

6. In forming an opinion of the market, the element of chance ought not to be omitted. There is a doctrine of chances—Napoleon in his campaigns allowed a margin for chance—for the accidents that come in to destroy or modify the best calculation. Calculation must measure the incalculable. In the "reproof of chance lies the true proof of men."

It is better to act on general than special information (it is not so misleading) viz., the state of the country, the condition of the crops, manufacturers, etc. Statistics are valuable but they must be kept subordinate to a comprehensive view of the whole situation. Those who confine themselves too closely to statistics are poor guides. "There is nothing," said Canning, "so fallacious as facts, except figures."

"When in doubt do nothing. Don't enter the market on half convictions; wait till the convictions are full matured."

We have written to little purpose unless we have left the impression that the fundamental principle that lies at the base of all speculation is this: *act so as to keep the mind clear, its judgment trustworthy.* A reserve force should therefore be maintained and kept for supreme movements,

when the full strength of the whole man should be put on the stroke delivered.

It may be thought that the carrying out of these rules is difficult. As we said in the outset, the gifted man only can apply them. To the artist alone are the rules of his art valuable.

AN UNRECORDED TAX ON THE OLD HOME TOWN

(*Continued from page* 603)

the marketing stage by local people—all recognized as conservative business men with emphasis on the conservative—and yet, the last we heard, the investors of that community were not breaking their necks to provide the marketing capital. But right at the same time a gentleman was discussing the untold possibilities of wealth in a chunk of land down south, and the resultant picture might be very aptly captioned, "The Slaughter of the Innocents," or should we call it "The Festival of the Out-of-Dollars"?

We are not advising investment in every local proposition. It's not our province to advise investment in any proposition, local or otherwise. *We are merely pointing out how easily folks fall for the great unknown and yet quickly throw into reverse on the locally known.*

Of course, a local proposition may possess just as many speculative features, and very frequently does. There is just this difference, however: the local proposition can be watched; the out-of-town speculation cannot. And, strange as it may seem, the local proposition does not begin to need the local capital that the out-of-town one does. Take the Pennsylvania community, just cited.

The point we are striving to make plain is this: If the investors of our American communities will just exercise the same care in buying out-of-town securities that they do in local securities, the worth-while local concerns won't be compelled to suffer the consequences of too cordial receptions accorded the young slicksters who blossom forth with the morning glories.

We said a few paragraphs back that these six hundred million dollars are needlessly wasted. They are. They are because there is a way of *checking up the reliability* of such security offerings. Go to your local Chamber of Commerce and ask it to investigate for you. If it hasn't a line on the security offered, The Investors' Vigilance Committee can help, just as it is serving similar organizations in all parts of the United States and Canada. If your local Chamber of Commerce is not a member of this committee urge it to join with us in routing fake and questionable stock promotional schemes. Then back up its efforts and ours by continuing to investigate before investing. And, tell your friends to do likewise!

WHAT THE AMERICAN FARMER IS UP AGAINST TODAY

(Continued from page 596)

and St. Paul; the Chicago & North Western; the Great Northern; the Minneapolis, St. Paul and Sault Ste. Marie and the Northern Pacific. Looking into these roads individually and collectively, what do we find?

We find that St. Paul is just managing to cover its fixed charges. We find that North Western is earning only $2.25 per share (based on 1st 5 months of 1923) as against a present dividend rate of $5 per share. Great Northern proves to be earning a little less—$2.10 per share—on its preferred, against a dividend rate of $5; Northern Pacific is earning only $3 on its common, against a $5 dividend. The Soo Line is doing the best of the lot, from the standpoint of earnings per share; but even at that its recent results point to only $4.75 per share on the common stock for the current year.

Considered collectively, the Grangers present a similarly poor position. In a comparison presented by Mr. Neumark, on page 301 of the June 23rd issue of The Magazine, the Northwesterns showed about the poorest results of any of the great railroad groups.

This situation in the Northwestern railroads cannot, of course, be attributed entirely to farming conditions. A large part of it is no doubt due to the burdens the grangers have been forced to labor under in respect of freight rates and operating costs in recent years. Thus, it has been figured out that one of the chief grangers—the Great Northern—is now paying wages at the rate of 70% in excess of prewar levels, whereas its rates have risen only 50%.

But it must be remembered that the freight rate scale of the farm carriers is revised, or not revised, in reasonably close correspondence with farm profits. If the farmers were active and prosperous, in other words, it is more or less certain that freight advances could be secured.

Altogether, the comparatively weak position of the northwestern rails can be traced, directly or indirectly, to farm conditions, and the picture they present of those conditions, as outlined above, is not very encouraging.

Can Farm-Aid Organizations Help?

The brief investigation conducted above, and prompted by the July 10th crop report, has revealed this much: That the farmer's position and outlook is not good; that the position and outlook of the farm-dependent industries is not good; that the prosperity of the country as a whole is likely to be hampered unless a turn for the better in farm-conditions should materialize.

One last question then arises: That is: Of the numerous agencies which have been formed, or are now forming, for the purpose of bettering farm conditions, is there any which promises to accomplish worth-while, really substantial results?

Perhaps it would be unfair to draw any conclusions as to the potentialities of any of the agencies referred to until a reasonable period has elapsed for their development. To be sure, no one can tell what any human agency might accomplish, if it be pushed vigorously enough, and given time enough to develop. Nevertheless, warrant apparently exists for this statement: Insofar as any of these agencies depend for their success upon their ability to control the fundamental factors in farm, and all other economics, i.e., the factors of supply and demand, they are doomed to failure.

Unfortunately, a large number of the farm-aid agencies seem to have some such purpose in mind. It was only a few weeks ago that a measure was put forth by a group of farm-aiders providing for control of demand by the formation of a Government corporation to exist for the purpose of buying all American wheat available at that price at $1.50 per bushel. Other organizations champion ideas about controlling acreage planted. Others would enable the farmer to hold his products off the market indefinitely, during a period of stress, and until prices warranted sale.

A study of crops, of crop-growing and crop-marketing, emphasizes the futility of such undertakings as these. In no other field of human endeavor is the element of uncertainty, in respect of supply, demand and prices, more pronounced than in the face of farming. No other field lends itself less easily to organization, or to artificial control.

Glance, for example, at the three graphs herewith, which cover the price-path of wheat and corn, and the crop-results in the same commodities in the ten years since 1913. The astounding gyrations which the graphs trace serve to illustrate the extent of the gamble a grain-grower has to take; they further serve to illustrate the difficulties that would be in the way of any form of artificial control.

It does not follow that, where attempts to control economic forces are bound to fail, that the farmer's case is hopeless, and agriculture foredoomed as a profitable industry. There is a way out for the farmers, however remote it may now seem, and it offers the lasting remedy to the ills they have been heir to. In a word, it is the diversifying of their products.

The farmer who grows little else beside wheat is, of course, almost entirely dependent upon the wheat market. Furthermore, he is sapping the energies of his lands, what with constant forcing on a one-crop basis. A pest dangerous to his particular crop, of the sort that has developed in the past and might develop again at any time in the future, could ruin his entire undertaking, and he is at the mercy of the elements. The same is true of the cotton-grower (perhaps it is more emphatically true in his case) or of any other one-crop farmer. He is bound to be an easy prey to price-fluctuations, and has no powers of resistance to enable him to defend himself.

If the agencies which describe themselves as "champions of the American farmer" would spread the gospel of diversification where it is so sorely needed; if they would teach the farmers how to most efficiently practice diversification, and perhaps develop some sort of financing plan which would enable him to effect

diversification, some real hope for farm prosperity of a permanent sort would spring into life.

Probably this idea will not appeal to the present champions of our agricultural population, however. It lacks in the elements that make demagogery and quack politics possible. There is nothing destructive about it—nothing calculated to fan disordered emotions into the hot flame of revolt—Its value is lessened none on this account, however, and it is the only hope to which a farm-poverty stricken country can afford to tie to.

WHICH ARE THE STRONG INDUSTRIES TODAY?

(*Continued from page* 615)

of general business depression, as shown by the high rate of production during 1921.

For the large equipment companies, of course, this has meant a growing demand for their product, while the new uses which are constantly being found for the latter and its increasing replacement of older forms of generating heat, light and power, assure it of still further increases. The result has been an unusually high volume of business, vieing with the best periods of the war- and post-war booms, while unfilled orders on hand assure them of the continuance of this large volume at least through a large part of next year. A large part of this business is somewhat analogous to the construction of office buildings, in so far as it is done on specific jobs on which price fluctuations and possible depreciation of inventories or increased costs of building have no marked effect.

The radio boom helped the smaller makers of electrical apparatus greatly, and, though the boom is now dying off, it is still responsible, directly and indirectly, for a large volume of equipment business, on which the profits are considerable. More important developments are in sight, however, than the industry has yet known, in the plans now under way for the more intensive development of our water-power resources (helped by the unsatisfactory labor situation in the coal industry), and the creation of huge super-power transmission systems, covering the whole country with a net of high-tension transmission wires. As these plans materialize, they will mean many millions of dollars of business to the electrical equipment companies.

Another source of revenue of increasing importance has been the demand for modern power systems from South America and Asia, as well as Europe, and the electrification of the steam railways, which is making headway all over the world.

At the same time, not a single factor adverse to the industry is in sight, and its record shows that it has been able to do considerable business at a profit no matter how bad business conditions have been.

The market has discounted the situation to some extent, but a good part of the advance has been lost and there

are many opportunities left in this group.

Public Utility Uncertainties Public utilities normally benefit from periods of declining prices, as their revenues remain practically unharmed while their costs of operation decline. At the present time, however, the uncertainties with regard to the coal situation, which are vitally important to nearly every class of utility, are such as to cast some doubts on the immediate outlook for the industry. A coal strike, for instance, resulting in scarcity and high price of coal, would hit the gas companies, steam, electric and traction companies hard. **Public utility stocks, as a group, have had a good chance in the markets of the past two years and have lost little ground this year, although there are some individual issues of great merit which are attractive at the present time.**

THE REAL FACTS ABOUT WILL-MAKING

(*Continued from page* 627)

when the testator dies, and continues to exist until all the provisions of his will are fulfilled.

The uses and advantages of trust funds, and the responsibility and stability of trust companies, are becoming so well known that very few wills disposing of any considerable amount of property are now drawn which do not make a trust company executor, and also trustee of funds for the benefit of certain persons or institutions.

Success in life depends largely upon close energetic adherence to a wise plan conceived in sober thought. The same forethought should be given to the disposition of the property accumulated during that life, and the resulting plan carefully expressed as a will. He who keeps his house in order is not embarrassed by an unexpected guest, even death.

YOUR INSURANCE QUESTIONS ANSWERED

(*Continued from page* 630)

to take a health and accident policy with some "old-line" company?

My present income is about $2,000, but I am somewhat in debt due to the last illness of one of my parents.

I have not read THE MAGAZINE OF WALL STREET *long, but it has greatly interested me and I intend to follow its advice as much as possible.—A. C. H., Pullman, Washington.*

As you are now but 25 years old, it is quite likely you may marry, although you apparently do not contemplate taking this step at present. If you were to marry, your $10,000 Government Insurance on the 20-Payment Life plan would provide excellent coverage for dependents; and, of course, you could take the cash surrender value at any time in the future if you remained single. In the event of *your permanent disability* at any time while you retained this insurance, you would receive the proceeds personally in the form of a monthly income during the remainder of your life.

Government Life Insurance is issued at a low premium rate because all overhead expenses for management, etc., incurred by the War Risk Bureau are paid by the country as a whole, the insurance being offered to those who were engaged in war service as a reward for patriotic duties performed.

I would advise your increasing your present line of life insurance by a policy for $5,000. The payment of life insurance premiums is an excellent way of cultivating thrift, since premiums come along in regular course at a stated period, there is a reminder notice sent by the company prior to the premium due date, and, with the payment of each annual premium in cash, loan and surrender privileges of the policy have an increasing value. Moreover, it is easier to pass the medical examination at young ages; while premium rates are then low.

A 30-Payment Life Policy in the sum of $5,000 at your age would cost only about $90 a year in a non-participating company. It would be free from further premium payments when you are 55 years old—still middle life—and would require a monthly saving of but $7.50 to meet the annual premium.

Securities and Commodities Analyzed in this issue

GERMANY'S DISAPPEARING CURRENCY

(*Continued from page 643*)

the employer fixes either in foreign currency or in some sort of payment in goods. Efforts to work along this line have always been unsuccessful in countries that were situated somewhat as Germany is. What Germany's mark depreciation means therefore is, from the foreign standpoint, (1) practically entire loss of all investments in Germany that were stated in marks, including currency, bank deposits, bonds, and other securities, though not of course stocks which represent simply a share in the actual property of the corporation; (2) from the governmental standpoint the necessity of finding a new basis of currency and exchange; (3) from the trade standpoint the development of a difficult, not to say impossible, condition as to the transaction of business with other countries; and (4) from the home investment standpoint complete elimination of investment ownership, because of the worthlessness of the currency in which the obligation is stated. These factors, taken together, mean an almost complete breakdown of organized relationships and explain the disorders that are now reported as existing in German cities, due to the dissatisfaction and disorder that have grown up among the population at large.

ANSWERS TO INQUIRIES

(*Continued from page 652*)

CHICAGO & ALTON 3s

Look Attractive

I have carried Chicago & Alton 3% bonds. The road is in receivership and I have been wondering if I should sell these bonds. Do you believe the road will be out of receivership at an early time and that I would be justified in holding them or would you recommend they be sold to save any further loss? I will be glad to have you write me by return mail and very greatly oblige.—E. F. J., Springfield, Ill.

It is true that the Chicago & Alton R. R. Co. is in receivership, but this fact does not, in our judgment, warrant disposing of the refunding mortgage gold 3s, due in 1849, at present prices. This bond is secured by a first mortgage on approximately 593 miles of road with branches, extension, buildings, terminals and other appurtenances from Joliet to East St. Louis. The bonds are also protected by a first lien on the leasehold rights of the company on 295 miles between Joliet and Chicago and lines in Missouri. The importance of these bonds in connection with the operations of the Chicago & Alton property is shown by the fact that interest is still being paid, although the receivers have taken advantage of six months period of grace allowed by the mortgage before the property could be foreclosed. The bonds at around the present price of 52 yield 7% figured to maturity. In view of their rights in the property, we consider them attractive at present prices and advise retaining them.